

AUG 16 1971

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transmission lines, involving a total of 36 individual sub-conductors, each spanning a distance of 6,800 feet.

The Project is approximately 68 per cent complete and 90 per cent of all contracts have now been awarded, numbering approximately 140 contracts with an aggregate value of \$565 million.

On July 1, 1971, the Hon. Joseph R. Smallwood, Premier of Newfoundland and Labrador, closed the gates of the Lobstick control structure to begin filling the Smallwood Reservoir, subsequently named in his honor. A bronze plaque mounted on the Lobstick control structure will commemorate this event — creation of the third largest man-made lake in the world, approximately 2,200 square miles. The ceremony at Lobstick was held almost four years after Premier Smallwood officially inaugurated the Churchill Falls development at Main Camp on July 17, 1967.

#### Federal Government Tax Reform Legislation

We are pleased to report that the Federal Government's tax reform bill does not appear to have serious adverse implications for Brinco or CFLCo.

The major problems which concerned the companies arose out of the White Paper proposal to integrate corporate and personal taxes combined with the suggestion that tax credits be denied to shareholders of public utilities. Neither of these proposals has been adopted in the tax reform bill.

#### Brinco Financial Results

The consolidated net loss for the six months ended June 30, 1971 was \$646,000 as compared to a net profit of \$1,135,000 for the same period in

(continued over)

1970, as sales of copper concentrates continue to be substantially below those of 1970. Copper prices which averaged 20 cents per pound lower than 1970, fewer tons milled as the result of the one-month strike at the Whales Back Mine, and a lower copper head grade were the main contributing factors to this reduction.

#### Brinex

Brinex has entered into a joint venture with Bethlehem Steel Corporation for an intensive investigation of base metal showings within a 300-square-mile region of Labrador centered on Seal Lake. Brinex will hold a majority interest in the joint venture.

Montreal, Quebec,  
July 22, 1971

## Report to Shareholders

For the six months ended  
June 30, 1971

On peut obtenir un exemplaire français de ce rapport auprès du service des Relations publiques, Brinco Limited, Un, Westmount Square, Montréal 216 (Québec).



**AUG 16 1971**

# Brinco

LIMITED and WHOLLY OWNED SUBSIDIARY

The change in the name of the Company from British Newfoundland Corporation Limited to Brinco Limited which was approved by Shareholders at the last Annual Meeting, became effective on June 30, 1971.

## Churchill Falls (Labrador) Corporation Limited

\$541.3 million has been expended on the Project to June 30, 1971 with total expenditures to December 31, 1971 now forecast to be \$625.2 million. As in the past, funds to meet these expenditures will continue to be provided from scheduled drawdowns under the First Mortgage Bond Purchase Agreement.

All construction programs are progressing satisfactorily. A contract for the Gabbro control structure was awarded in May and construction is now underway. The dyke construction program is progressing well and the filling of the main reservoir has commenced. Installation of gates and trash racks at the intake is proceeding.

In the powerhouse, installation of turbines 1 and 2 has been completed and the scroll cases of turbines 3 and 4 have been embedded in concrete. The generator stators for units 1 and 2 are in place and final assembly of the generators is proceeding, concurrently with the installation of electrical control cables and systems. Two of the 550 MVA transformers have been moved into position underground.

With the installation of the tailrace tunnel stop-log handling system, work in the surge chamber is now complete. The tailrace portal structure is nearing completion and preparations are being made to remove the cofferdam and flood the tunnels by October 1.

The stringing of the conductor across the Churchill River has been completed for the three

### Consolidated Statement of Earnings and Retained Earnings for the six months ended June 30

(subject to year-end audit and adjustments)

	\$ Thousands			\$ Thousands	
	1971	1970		1971	1970
Sales:			Source of funds:		
Sales of copper concentrates	\$ 1,627	\$ 3,649	From current operations:		
Other sales	14	8	Net earnings (loss) before equity in net earnings of unconsolidated subsidiary	\$ (789)	\$ 995
Operating and administrative expenses	1,641	3,657	Depreciation and pre-production expenditures written off	566	651
Depreciation and preproduction expenditures written off	566	651	Issue of capital stock	(223)	1,646
Exploration expenditures	249	424		151	417
Mining taxes	—	83		(72)	2,063
	2,679	2,946			
Operating profit (loss) for the period	(1,038)	711	Application of Funds:		
Income from investments	249	284	Expenditures on Lower Churchill River project	345	(19) *
Equity in net earnings of unconsolidated subsidiary	(789)	995	Expenditures on natural resources, rights and concessions	201	—
Earnings before income taxes and extraordinary items	143	140	Land, buildings and equipment — net	58	70
Provision for income taxes	(646)	1,135		604	51
Earnings before extraordinary items	11	7	Increase (decrease) in working capital	(676)	2,012
Earnings before extraordinary items	(657)	1,128	Working capital		
Reduction in income taxes due to loss carry forward	11	7	January 1	8,063	6,669
Net earnings (loss) for the period	(646)	1,135	June 30	7,387	8,681

\* Adjustments of accrual at December 31, 1969

The accompanying note is an integral part of the above consolidated statement of earnings and retained earnings and consolidated statement of source and application of funds and should be read in conjunction therewith.

The accounts are presented on the basis whereby the consolidated financial statements of Brinco Limited include the accounts of its wholly owned subsidiary British Newfoundland Exploration Limited ("Brinco") with the investment in Churchill Falls (Labrador) Corporation Limited included on an equity basis.



AR30

December 20, 1971

DEC 22 1971

Dear Shareholder:

A few days ago Brinco's subsidiary, Churchill Falls (Labrador) Corporation Limited, announced that power was being delivered on a regular basis from the first of the eleven turbine-generator units at the Churchill Falls hydro-electric station into Hydro-Quebec's transmission and distribution network.

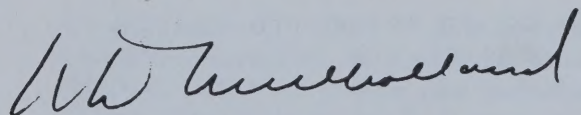
Shortly thereafter, the second giant unit capable of generating a further 648,000 horsepower, was placed in service.

First delivery of electricity under the power contract is required on May 1, 1972. Thus, all of us associated with this great Canadian project are understandably proud of the outstanding achievement of the people who have brought it to this stage.

Work on what is still the largest civil undertaking on the North American continent began nearly five years ago. Since then thousands of men and women have contributed to the success of the project, not the least of these being our shareholders who have demonstrated their confidence in the Company over the years.

Best wishes for the Christmas season.

Yours sincerely,



W.D. Mulholland,  
President







## PROGRESS AND THE ENVIRONMENT

By **WILLIAM D. MULHOLLAND**  
President and Chief Executive Officer  
**Brinco Limited and**  
**Churchill Falls (Labrador) Corporation Limited**

From an address by Mr. Mulholland  
to the Rotary Club of Vancouver, B.C. on Tuesday, October 19, 1971

It must be obvious to nearly everybody that Canada is going to go on developing economically and industrially, and that some of the development is necessarily going to take place in areas to which man has not set his hand since the world was created.

Many people appear to believe that we are caught in a choice between the old fashioned booster philosophy of progress for its own sake, on the one hand, or joining the "stop everything" movement, on the other hand.

I do not see these as the only alternatives.

I am wholeheartedly in sympathy with those who are concerned with the conservation of our environmental resources and even, in some instances, with their complete preservation. However, most of us, I would say, are at least as anxious to eradicate poverty, disease, ignorance and strife; and unless we continue to create new wealth and see that it is equitably distributed the achievement of these goals will never be closer than a dream. We are first interested in the progress and well-being of our fellow men and we know that it is not going to be possible to make that progress without changing our environment to some extent. People do still matter; and their aspirations can be an immensely powerful force — hopefully a force for good.

Change need not always be for the worse. Rather than presenting a choice between two rather drastic alternatives, I suggest that it is more constructive to encourage the formulation of new attitudes toward an activity that has been going on for hundreds of years, essentially unchanged. The old pioneer's approach was to take over the land and master it. He felt somehow that he had to gain dominion over the earth. He felt, if you like, a biblical imperative: to push back the wilderness and to set the hand of man and the marks of civilization on the wild land.

Today we are beginning to see things a little differently. I think it likely that the same economic might, technological expertise and social organizations that have been built up for development can serve as the means for sensing the constraints of environment as well as satisfying the needs of our people, and for adjusting man's relationship with his environment so as to maintain a healthy and productive equilibrium. In this, as in so many things, balance and judgment are sorely needed. The intemperance and hysteria which unfortunately often mars discussions of these important issues does poor service in the quest for sensible answers.

Knowledge is also needed, as much by those who would protect our environment as by those who are busy changing it. Good intentions are not yet an adequate substitute for solid, painstaking research. There is no doubt that our knowledge is woefully inadequate; this will only be corrected, in time, by serious, diligent research and study, much of it in the field monitoring long-term research programs. As has been noted many times, we live in an age of specialization. Nowhere is this modern trend more evident than in the life sciences. Sooner or later the academic world must give greater recognition to the inter-relationship of what now appears to be an arbitrary delineation of scientific disciplines. We badly need scientists with a much broader outlook than that engendered by traditional scientific specialization.

A much expanded effort at data collection and scientific observation on a regional basis over an extended period of time is also indicated if any serious effort is to be made at assessing environmental impact. In many cases such assessments can only be speculative in the absence of accurate, comprehensive base line data. Needless to say, one takes on a heavy responsibility when one renders judgment in such circumstances.



Society can at times be quite capricious. Not so long ago it rather tended to take nature for granted. So much so in fact that ignorance, in environmental terms, was readily forgiven by indulgent public opinion. Even the most wanton behavior in this regard tended to excite little interest and, unfortunately, the record contains some pretty outrageous examples. In these days of heightened public consciousness — and conscience — this kind of problem is fast disappearing, and none too soon. There remain, however, many complex, subtle environmental issues which until recently had not even been identified as issues. At times a key question, which may or may not be recognized as such, is “what is the environment?” In terms relevant to a contemplated activity it is not always easy to identify, much less to measure, environmental characteristics. However, assuming these difficulties to be overcome, a judgment may still be an elusive goal.

From ignoring nature, we have now in a short time come full circle and patronize her. While we now have the economic and technical capacity to make very extensive and intensive impacts upon the environment, the changes which one can bring about are far more modest in scale, for the most part, than those of which nature is capable. With great regularity these “Acts of God” occur with frightful human and environmental consequences. Thus far, the environment has stood up remarkably well to these onslaughts. Sometimes we are perhaps prone to overlook its inherent recuperative powers and underestimate its tremendous built-in capacity for adaptability. None of which is an excuse, of course, for human abuse of the environment. But it does help to have a perspective and not to lose sight of the ecological forest for the trees.

In Labrador, a number of obvious potential environmental effects of the Churchill Falls Project were identified at an early stage and steps taken to deal with them; these have by and large failed to produce either surprises or problems. Although the Project is in a remote location and, consequently, visitors are limited, we have since inception of the Project followed a policy of permitting access to the Project by members of the working press. This open door policy, I am convinced, helps us to avoid “environmental problems” since any newsman can visit the site and see for himself what we are doing. By the same token we try, within the practical limitations to which we are subject, to accommodate bona fide scientific investigations. We do attempt through the agency of our own scientific advisor to screen research proposals for scientific merit.

Additionally, we have carried out a number of investigations designed to inform ourselves of possible environmental effects. The most interesting and probably most useful is a program which will continue over several years and is designed to provide basic scientific data collected throughout the Project area from which it is hoped conclusions can be drawn as to the long-term effects of the Project upon the region. In the future, scientists using this data will have had the benefit of a gigantic environmental laboratory. We are told that no one has ever attempted such a program before. As I indicated earlier, there is a real need for greater knowledge in this area. While we do not pretend for a moment to have all the answers, we shall at least have contributed to advancing our understanding of these subjects.

One of the useful ends which greater knowledge can serve will be a reduction in controversy. First, in achieving a higher level of common agreement upon environmental issues and, second, by changing the reactive nature of much of the environmental concern.

No one wishes to spend time and money on a proposed development only to encounter unexpected opposition upon environmental grounds when matters are well advanced. Unfortunately, this is a fairly common experience today. Perhaps even more to the point, is it realistic in these times of economic and social distress to expect a government to veto a job-producing project upon environmental grounds short of catastrophic, particularly in the absence of solid documentation?

Environmentalists and conservationists do their cause great harm, in my opinion, by opposing developments upon poorly researched grounds and by failing to exploit vigorously the positive avenues open to them. I think this moment of high public consciousness of environmental considerations is much too valuable to waste in dramatic confrontations and emotional outpourings, as satisfying as they may be to those so engaged.

This is a time for developing useful and realistic environmental standards for many different kinds of activities: for education, for institutionalizing reasonable environmental protections and, most of all, for constructive leadership rather than opposition. Industry is moving much faster in its response to public concern than is generally realized. It would be a serious mistake for anyone to fail to recognize this trend and respond accordingly.



certains faisaient preuve au sujet de l'écologie. Même les agissements les plus destructifs dans ce domaine ne suscitaient guère de réaction et l'on doit reconnaître qu'il existe des exemples assez outrageants de pareille attitude. Aujourd'hui, la conscience publique est beaucoup plus éveillée et ce genre de problème ne se pose plus guère. Et c'est tant mieux ! Il reste cependant de nombreuses questions complexes et subtiles concernant l'environnement dont on n'a même pas encore reconnu qu'elles pouvaient poser des problèmes. Il arrive même encore qu'on se demande "Qu'est-ce que l'environnement ?" sans savoir si la question est importante ou non. A propos d'une activité envisagée, il n'est pas toujours facile d'identifier et bien moins encore de mesurer ses rapports avec l'écologie. Et même si l'on considère ces difficultés comme résolues, il peut être encore difficile de formuler un jugement.

De notre indifférence pour la nature, nous sommes parvenus en très peu de temps au pôle opposé, celui du protectionnisme. Alors que nous disposons des moyens techniques et économiques nécessaires pour modifier profondément l'environnement, les changements que l'on pourrait entreprendre sont pour la plupart beaucoup plus modestes que ceux dont la nature est capable. Avec une régularité redoutable, celle-ci agit de façon imprévisible avec les plus terribles conséquences pour l'homme et son milieu. Jusqu'à présent, ce milieu a remarquablement résisté à tous les assauts de ce genre. Nous sommes trop enclins parfois à oublier sa capacité naturelle de récupération et à sous-estimer son extraordinaire facilité d'adaptation. Ce ne sont pas là des excuses, évidemment, aux mauvais traitements que l'homme lui fait subir. Mais nous devrions nous inspirer de cette constatation pour acquérir un peu plus de sens des proportions et pour ne pas laisser les arbres nous dissimuler la forêt, écologiquement parlant.

Au Labrador, en construisant l'aménagement hydro-électrique de Churchill Falls, nous avons, dès les débuts, prévu certaines conséquences probables sur l'écologie et pris les mesures pour y remédier. En général, nous n'avons éprouvé ni surprises ni problèmes. Bien que les travaux s'effectuent dans un endroit éloigné et, par conséquent, peu fréquenté, nous avons eu pour politique constante de permettre l'accès à l'aménagement à tous les membres de la presse. Cette politique de "la porte ouverte" nous a évité, je crois, d'être mis en cause pour notre traitement de l'environnement, n'importe quel journaliste pouvant se rendre sur les lieux et juger lui-même de nos activités. Pour la même raison, et dans les limites pratiques dont nous disposons, nous tâchons de favoriser toute enquête scientifique de bonne foi. Nous essayons, par l'entremise de notre propre conseiller scientifique, de choisir parmi les propositions qui nous sont faites celles qui ont un mérite scientifique.

En outre, nous avons effectué nous-mêmes un certain nombre d'enquêtes pour nous documenter sur les conséquences possibles de nos activités sur l'écologie. La plus intéressante et sans doute la plus prometteuse de ces initiatives comporte un programme de plusieurs années visant à rassembler pour tout le territoire de l'aménagement des informations scientifiques fondamentales dont nous espérons tirer certaines conclusions sur les effets à long terme de l'aménagement sur l'ensemble de la région. Dans l'avenir, les hommes de science qui recourront à ces informations disposeront des résultats d'un gigantesque laboratoire écologique. On nous dit que personne, jusqu'à présent, n'avait mis sur pied un tel plan d'action. Tout en ne prétendant pas avoir réponse à tout, nous aurons au moins contribué à améliorer la compréhension de ces questions.

Une des fins les utiles que cet apport scientifique pourra servir sera la réduction des controverses, tout d'abord en permettant une meilleure entente sur les questions écologiques et, ensuite, en modifiant la nature des réactions suscitées par les problèmes de cette nature.

Personne ne désire consacrer beaucoup de temps et de capitaux à un projet d'aménagement pour se heurter à des oppositions inattendues fondées sur des facteurs écologiques, après que les travaux sont déjà fort avancés. Malheureusement, c'est ce qui se produit assez souvent aujourd'hui. Pour être plus précis encore, est-il réaliste à une époque de malaise économique et social qu'un gouvernement interdise la mise en marche d'un projet générateur d'emplois pour des raisons écologiques, à moins que celles-ci ne soient catastrophiques, particulièrement en l'absence de tout fondement sérieux ?

A mon avis, les partisans de la conservation et de l'environnement font grand tort à leur cause en s'opposant à certains grands travaux pour des raisons mal approfondies et sans tenir compte suffisamment des aspects positifs qu'ils comportent. Je pense que ce moment où la conscience publique est à ce point sensibilisée aux questions écologiques est trop précieux pour qu'on le gaspille en confrontations dramatiques et en débordements émotifs, quelque satisfaction qu'éprouvent ceux qui s'y adonnent.

Au contraire, le moment est venu de mettre au point des normes réalistes concernant l'environnement, dans l'intérêt de nombreuses activités, de l'éducation du public, de l'adoption de mesures raisonnables de protection et, surtout, pour parvenir à des directives constructives au lieu de vaines oppositions. L'industrie agit beaucoup plus vite qu'on ne l'imagine actuellement, pour répondre à l'inquiétude du public. Ce serait une grave erreur de ne pas reconnaître ce fait et de ne pas agir en conséquence.



# LE PROGRES ET L'ÉCOLOGIE

par WILLIAM D. MULHOLLAND

président et administrateur délégué

Brinco Limited et

Churchill Falls (Labrador) Corporation Limited

Extrait de la conférence prononcée par M. Mulholland  
au Rotary Club de Vancouver, le mardi 19 octobre 1971.

Il est évident pour à peu près tout le monde que le Canada continuera de se développer économique-ment et industriellement et qu'une partie de ce développement aura lieu nécessairement dans des endroits où toute présence humaine a été étrangère depuis la création du monde.

Plusieurs semblent croire que le seul choix qui s'offre à nous aujourd'hui doive se faire entre l'ancienne conception de l'inélabile dynamisme du progrès et la tendance actuelle à "tout arrêter".

Je ne crois pas que ce soit la seule alternative.

Le sympathise entièrement avec tous ceux que préoccupe la conservation de l'environnement et même, en certains cas, sa préservation complète. Cependant, je crois pouvoir ajouter que nous sommes pour la plupart aussi désireux de voir disparaître la misère, la maladie, l'ignorance et les conflits. Et si nous ne continuons pas à produire de nouvelles richesses et à veiller à ce qu'elles soient réparties équitablement, nous n'atteindrons jamais ces buts qu'en rêve. Notre premier souci est d'abord le bien-être et le progrès de nos concitoyens et nous savons que pour les améliorer nous serons amenés à modifier plus ou moins notre environnement. L'homme doit primer et il nous faut respecter ses aspirations, cette force immense au service, il faut le souhaiter, de son mieux-être.

Le changement n'est pas nécessairement un mal. Plutôt que d'avoir à choisir entre deux éventualités radicales, je crois que nous pourrions plus utilement étudier et mettre au point de nouvelles attitudes à l'égard de certaines activités qui se sont poursuivies presque sans changement pendant des siècles. Le pionnier de l'ancien temps s'empare de la terre et y faisait valoir ses droits, persuadé que le monde était la pour être conquis. Il était animé d'une impulsion quasi biblique: refouler les limites du monde inexploré, l'occuper et le marquer de ce qu'il croyait être l'empreinte de la civilisation.

De nos jours, nous voyons les choses un peu différemment. Je crois que nous pouvons envisager que la même technologie et la même organisation sociale que nous avons mobilisées pour le progrès matériel

Ceux qui veulent protéger l'environnement ont autant besoin de connaître ce dont ils parlent que ceux qui veulent le modifier. Les bonnes intentions n'ont jamais suffi à remplacer l'étude attentive et minutieuse. Et il n'y a aucun doute que nos connaissances dans ce domaine sont lamentablement insuffisantes. Nous n'y remédierons qu'avec le temps par des études et des recherches diligentes, la plupart d'entre elles orientées vers des programmes de recherche à long terme. Comme on l'a constaté fréquemment, nous vivons à une époque de spécialisation. Nulle part cette tendance n'est aussi apparente que dans le monde des sciences. Tot ou tard les milieux académiques devront tenir un plus grand compte de la corrélation qui existe entre ce qui apparaît aujourd'hui comme des délimitations arbitraires des disciplines scientifiques. Nous avons grand besoin d'hommes de science ayant un sens des perspectives beaucoup plus large que celui de la spécialisation scientifique dans laquelle trop d'entre eux se confinent.

Toute tentative sérieuse d'évaluer l'importance des facteurs écologiques doit être accompagnée d'un effort beaucoup plus important à recueillir, pendant une assez longue période, des données et des observations scientifiques de caractère régional. Fréquemment, ce genre d'évaluation ne peut avoir qu'un caractère spéculatif en l'absence de données essentielles suffisamment précises. Inutile de souligner qu'en rendant un jugement dans de telles conditions, on assume de grands risques.

La société est parfois fort capricieuse. Il n'y a pas si longtemps, elle considérait la nature comme allant de soi. Tellement même que l'opinion publique, indifférente, se préoccupait peu de l'ignorance dont





**NOTICE  
of Annual General Meeting**

**NOTICE** is hereby given that the Annual General Meeting of Brinco Limited (the "Company") will be held in the Salon Duluth of the Queen Elizabeth Hotel, Dorchester Boulevard West, Montreal, Quebec, at 11:00 a.m. (Eastern Standard Time), on Thursday, April 20, 1972 for the following purposes:

1. To consider the Company's accounts and balance sheet and the reports of the directors and auditors for the year ended December 31, 1971 and, if thought fit, pass as an Ordinary Resolution, Resolution No. 1 entitled "Accounts and Reports", a copy of which is set forth below;
2. To elect directors;
3. To appoint auditors and authorize the directors to fix their remuneration;
4. To transact such other business of the Company as may properly come before the Meeting.

Any Shareholder who is unable to attend the Meeting in person is entitled to be represented by a proxy and is requested, after referring to the pertinent sections of the attached Information Circular, to date, sign and return the enclosed form of proxy to The Royal Trust Company, P.O. Box 1810, Station "B", Montreal 110, Province of Quebec, not less than forty-eight hours before the time fixed for the Meeting. A proxy need not be a Shareholder of the Company.

Dated this 6th day of March, 1972

By Order of the Board  
G. R. DEVEY  
*Secretary*

**RESOLUTION**

**Resolution No. 1 — To be Proposed as an Ordinary Resolution  
"Accounts and Reports"**

**RESOLVED**

**THAT** the Company's accounts and balance sheet and the reports of the directors and auditors for the year ended December 31, 1971 be and they are hereby adopted.

*Attached hereto:*  
Information Circular

*Enclosed herewith:*  
Form of Proxy  
Postage paid addressed envelope

*(Version française au verso)*







## INFORMATION CIRCULAR

This Information Circular is furnished in accordance with the provisions of The Securities Act of Ontario, c. 426, R.S.O. 1970, as amended, in connection with the solicitation by the management of Brinco Limited (hereinafter sometimes called the "Company") of proxies to be voted at the Annual General Meeting of the Company (the "Meeting"), to be held on the date and for the purposes set forth in the accompanying Notice of the said Meeting. The information contained herein is given as of the 6th day of March, 1972.

### Solicitation of Proxies

**In addition to the present solicitation by management, proxies may also be solicited on behalf of management by directors, officers and regular employees of the Company, by mail, by telegram or by telephone. The cost of solicitation, which is expected to be nominal, will be borne by the Company.**

### Election of Directors

The shares represented by the proxies hereby solicited will be voted for the election of each of the proposed nominees listed below (or for substitute nominees in the event of contingencies not known at the date hereof). Each such nominee who is elected a director shall hold office until his retirement at the close or adjournment of the next following Annual General Meeting, unless his office is vacated earlier, as provided in the Articles of Association of the Company. Under the Company's Articles of Association, all of the directors of the Company will retire at this Annual General Meeting and at each subsequent Annual General Meeting but will remain eligible for re-election. After January 1, 1973, those persons who have attained the age of seventy shall not be eligible for appointment, election or re-election as directors.

### PROPOSED NOMINEES FOR ELECTION

The following directors who will retire at the close or adjournment of this Annual General Meeting, will be eligible for re-election at the Meeting:—

<i>Name and Offices held with the Company</i>	<i>Period of Service as a Director (From)</i>	<i>Common Shares of the Company beneficially owned, directly or indirectly</i>
Robert D. Armstrong	May 1970	None
Henry Borden, SM, CMG, QC*	July 1963	None
The Hon. Maurice Bourget, PC	July 1963	850
Bernard D. Broeker	April 1969	1,000
Paul Desmarais	April 1969	5,000
Sir Val Duncan, OBE* (Chairman of Executive Committee)	April 1953 to July 1963; and from October 1963	7,020
G. Peter Fleck	October 1963	None
Lewis W. Foy	April 1969	1,000
J. Georges-Picot, KBE	September 1958	None
Jean-Paul Gignac	January 1970	100
Sam Harris*	July 1963	10,000
J. H. Mowbray Jones, D.Eng.	December 1962	1,000
Harry Winsor Macdonell, QC* (Executive Vice-President)	April 1971	100
Robert D. Mulholland* (Chairman)	May 1970	100

(continued)

\*Member of the Executive Committee of the Board of Directors.



PROPOSED NOMINEES FOR ELECTION (*continued*)

<i>Name and Offices held with the Company</i>	<i>Period of Service as a Director (From)</i>	<i>Common Shares of the Company beneficially owned, directly or indirectly</i>
William D. Mulholland* ( <i>President &amp; Chief Executive Officer and Deputy Chairman of Executive Committee</i> )	May 1969	100,800
Gordon F. Pushie	December 1963	None
Edmund L. de Rothschild, TD	June 1954	33,534
H. Greville Smith, CBE	August 1959	100
Arthur S. Torrey	September 1954	5,000
Sir Mark Turner*	April 1969	None

\*Member of the Executive Committee of the Board of Directors.

PRINCIPAL OCCUPATION OF PROPOSED NOMINEES FOR ELECTION

Set out below is the principal occupation or employment of each person proposed to be nominated for election as a director:

Robert D. Armstrong, President of Rio Algom Mines Limited, a mining company and manufacturer of specialty steel and steel products.

Henry Borden, Director and Member of Executive Committee of Bell Canada, a telecommunications company.

The Hon. Maurice Bourget, Member of the Senate of Canada.

Bernard D. Broeker, Executive Vice-President of Bethlehem Steel Corporation, manufacturer of steel and steel products with Headquarters in Bethlehem, Pa., U.S.A.

Paul Desmarais, Chairman and Chief Executive Officer of Power Corporation of Canada Limited, an investment and management company.

Sir Val (John Norman Valette) Duncan, Chairman and Chief Executive of The Rio Tinto-Zinc Corporation Limited, an international mining and industrial corporation, of London, England.

Gustav Peter Fleck, Chairman of New Court Securities Corporation, an investment banking company, of New York, U.S.A.

Lewis W. Foy, President of Bethlehem Steel Corporation.

Jacques Georges-Picot, Honorary Chairman of the Board of Compagnie Financière de Suez et de l'Union Parisienne, an investment and holding corporation, of Paris, France.

Jean-Paul Gignac, President and General Manager of Sidbec, manufacturer of steel and steel products.

Sam Harris, a senior partner of Fried, Frank, Harris, Shriver and Jacobson, attorneys-at-law, of New York, U.S.A.

John Hugh Mowbray Jones, retired industrialist.

Harry Winsor Macdonell, Executive Vice-President of the Company and a Vice-President of Churchill Falls (Labrador) Corporation Limited.

Robert D. Mulholland, Vice-Chairman of the Bank of Montreal.

William D. Mulholland, President and Chief Executive Officer of the Company and of Churchill Falls (Labrador) Corporation Limited.

Gordon Frizzell Pushie, Industrial Consultant.

Edmund Leopold de Rothschild, Chairman of N. M. Rothschild & Sons Limited, Merchant Bankers, of London, England.

Harold Greville Smith, President of Canadian International Investment Trust Limited, an investment trust.

Arthur Starratt Torrey, retired.

Sir Mark Turner, Deputy Chairman of Kleinwort, Benson, Lonsdale Ltd., Merchant Bankers, and of The Rio Tinto-Zinc Corporation Limited, an international mining and industrial corporation, both of London, England.



### **Appointment of Auditors**

It is intended that the shares represented by the proxies hereby solicited will be voted for the reappointment of Peat, Marwick, Mitchell & Co., 1155 Dorchester Blvd. West, Montreal, Quebec, as auditors of the Company to hold office until the next Annual General Meeting of the Company and for the authorization of the directors to fix their remuneration.

### **Voting Shares and Principal Holders Thereof**

As at the date hereof, there were outstanding 22,969,784 Common Shares of the Company without nominal or par value, being the only equity shares of the Company issued and entitled to be voted at the Meeting.

To the knowledge of the directors and senior officers of the Company the only person or company, at the date hereof, which beneficially owns, directly or indirectly, more than 10% of the Common Shares of the Company is The Rio Tinto-Zinc Corporation Limited, 6 St. James's Square, London, England, which itself owns 100 Common Shares and which beneficially owns 11,213,164 Common Shares through its subsidiary, Tinto Holdings Canada Limited (Tinto Holdings), Suite 3209, Toronto-Dominion Centre, Toronto, Ontario and Tinto Holdings' subsidiary, Thornwood Investments Limited (Thornwood) Suite 1101, Royal Trust Building, St. John's, Newfoundland, being an aggregate of 11,213,264 Common Shares or approximately 49% of the outstanding Common Shares of the Company. Bethlehem Steel Corporation, Bethlehem, Pa., U.S.A., a minority shareholder of Thornwood, owns through its subsidiary, Interocean Shipping Company, c/o The International Trust Company of Liberia, 80 Broad Street, Monrovia, Liberia, 907,767 Common Shares or approximately 4% of the outstanding Common Shares of the Company.

Upon a show of hands every Shareholder present in person and every proxy who is not a Shareholder and who represents a Shareholder entitled to vote, shall have one vote only.

Upon a poll, every Shareholder present in person or by proxy, and entitled to vote, shall have one vote for each Common Share of the Company registered in his name. A Shareholder may appoint another person, who need not be a Shareholder of the Company, as his proxy to attend and vote in his place and stead; where a corporation, being a Shareholder entitled to vote, is present by proxy, or by a person duly appointed who is not a Shareholder, such proxy or person shall, in addition to voting on a poll, be entitled to vote for such corporation on a show of hands.

The instrument appointing the proxy shall be in writing under the hand of the appointor or of his attorney, duly authorized in writing or, if the Shareholder be a corporation, either under its Seal or under the hand of an officer or attorney so authorized.

The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be deposited at the address fixed by the Notice of the Annual General Meeting not less than forty-eight hours before the time appointed for holding the Meeting or adjourned Meeting at which the person named in the instrument proposes to vote. The instrument appointing a proxy shall be valid only for the Meeting for which it is given or any adjournment thereof.

### **Voting of Shares Represented by Management Proxy**

**The accompanying form of proxy confers discretionary voting authority upon the persons designated therein. The shares represented by any valid Instrument of Proxy on the said form and appointing the persons named therein to represent the Shareholder at the Meeting will be voted, subject to the provisions of Section 106 of The Securities Act of Ontario, c. 426, R.S.O. 1970, in accordance with the directions of the Shareholder as specified in the Instrument of Proxy. In the absence of such directions, the shares represented by such Instrument of Proxy will be voted in favour of the resolution set forth in the Notice of Meeting, namely: Resolution No. 1 entitled "Accounts and Reports".**

Management is not aware of any matters other than those identified in the Notice of Meeting that may come before the Meeting. **If, however, other matters properly come before the Meeting, the persons designated in the accompanying form of proxy will vote thereon in accordance with their best judgment pursuant to the discretionary authority conferred by the Instrument of Proxy with regard to such matters.**

### **Designation of Persons Other Than Those Named in the Management Proxy**

**Each Shareholder has the right to designate as his proxy a person other than those designated in the accompanying form of proxy to attend and vote for such Shareholder at the Meeting. Any Shareholder desiring to exercise such right may do so by striking out the names of the persons designated in the accompanying form of proxy and inserting, in the space provided, the name of the person he wishes to designate as his proxy, or he may do so by executing an instrument appointing a proxy in a form similar to the accompanying form of proxy.**



### **Revocability of Proxy**

A Shareholder giving a proxy has power to revoke it at any time before it has been exercised, provided notice in writing of such revocation shall have been received by the Company at its registered office, Crosbie Place, St. John's, Newfoundland, at least forty-eight hours before the commencement of the Meeting or adjourned Meeting at which the Instrument of Proxy is to be used.

### **Remuneration of Management and Others**

The aggregate direct remuneration including salaries, bonuses and retirement allowances paid or agreed to be paid to directors and senior officers of the Company during the year ended December 31, 1971 by the Company and its consolidated subsidiary, British Newfoundland Exploration Limited, was \$134,075 and by its unconsolidated subsidiaries, Churchill Falls (Labrador) Corporation Limited, Twin Falls Power Corporation Limited, Gull Island Power Company Limited and Iskut Pulpower Ltd. was \$126,641. In addition certain senior officers of the Company whose services were provided pursuant to an agreement with Rio Tinto North American Services Limited have received remuneration directly from that company.

The estimated aggregate cost to the Company and its subsidiaries in the year ended December 31, 1971 of all pension benefits proposed to be paid under any normal pension plan, directly or indirectly, by the Company and its subsidiaries to directors and senior officers of the Company, in the event of their retirement at normal retirement age, was \$8,025.

On March 4, 1970 the Board of Directors adopted, and the Shareholders at the Annual General Meeting held on May 6, 1970 approved an incentive Stock Option Plan for employees in respect of a maximum number of 500,000 Common Shares (subject to appropriate adjustments in the event of changes of the capitalization of the Company) whose summarized terms were set forth in the Information Circular dated March 10, 1970. On October 28, 1971 the Company granted to senior officers options to purchase on or before the fifth anniversary of the date of these grants, 40,000 Common Shares of the Company at a price of \$4.17 per share, no more than one-third of the total being exercisable prior to the first anniversary date of these grants and no more than two-thirds of the total prior to the second

anniversary of the date of these grants. The price range of the shares in the thirty-day period preceding October 28, 1971 was from \$4.80 to \$5¼ per share. In respect of the above Plan, no options to purchase Common Shares of the Company were granted to any person in his capacity of director of the Company.

Options to purchase 27,000 Common Shares of the Company at a price of \$3.70 per share granted by the Company prior to the financial year ended December 31, 1971 were exercised by senior officers after the commencement of that financial year. The shares were purchased on February 17, March 15, April 23, May 7 and May 12, 1971, and the price range of the shares in the quarter ended March 31, 1971 was from \$5⅛ to \$5⅞ per share and in the quarter ended June 30, 1971 from \$5½ to \$6¼ per share.

An option to purchase 10,000 Common Shares of the Company at a price of \$3.70 per share which was granted by the Company prior to the financial year ended December 31, 1971 to a senior officer lapsed as a consequence of his resignation.

### **Interest of Management and Others in Material Transactions**

There were no material transactions since January 1, 1971, or proposed material transactions, which have materially affected or will materially affect the Company or any of its subsidiaries and in which

- (i) any director or senior officer of the Company;
- (ii) any proposed nominee for election as a director of the Company;
- (iii) any person or company which, to the knowledge of the directors and senior officers of the Company, beneficially owns, directly or indirectly, more than 10% of the Common Shares of the Company; and
- (iv) any associate or affiliate of any of the foregoing persons or companies,

has any direct or indirect material interest.

Dated as of the 6th day of March, 1972.

By Order of the Board  
G. R. DEVEY  
Secretary



## Révocabilité d'une délégation de pouvoir

Tout actionnaire donnant une délégation de pouvoir peut révoquer celle-ci n'importe quand avant son exercice, pourvu qu'un avis écrit de cette révocation parvienne au siège social de la Compagnie, Crosby Place, St. John's, Terre-Neuve, au moins quarante-huit heures avant le début de l'assemblée ou de son ajournement, pour lesquels l'acte de délégation de pouvoir a été établi.

## Rémunération versée à des membres de la direction et à d'autres

Pour l'exercice terminé le 31 décembre 1971, le total de la rémunération directe, y compris les salaires, bonus et paiements pour perte de fonction, versée, ou qui doit être versée, à la suite d'une entente, aux administrateurs et aux cadres supérieurs de la Compagnie, par la Compagnie et par sa filiale consolidée, British Newfoundland Exploration Limited, s'est élevé à \$134,075 et par ses filiales non-consolidées, Churchill Falls (Labrador) Corporation Limited, Twin Falls Power Corporation Limited, Gull Island Power Company Limited et Iskut Power Ltd., à \$126,641. En outre, certains membres des cadres supérieurs de la Compagnie qui ont fourni des services en vertu d'une entente intervenue avec Rio Tinto North American Services Limited, ont été rémunérés directement par cette compagnie.

La contribution globale approximative, au cours de l'exercice terminé le 31 décembre 1971, de la compagnie et de ses filiales, à toutes les pensions qu'elles se proposent de payer, directement ou indirectement, en vertu de tout régime de retraite normal, aux administrateurs et aux cadres supérieurs de la Compagnie, en cas de retraite à l'âge normal de la retraite, a été de \$8,025.

Le 4 mars 1970, le conseil d'administration a résolu d'instituer un régime d'options pour l'achat d'actions par les employés impliquant un nombre maximum de 500,000 actions ordinaires (sujet aux ajustements requis dans l'éventualité de changements dans la capitalisation de la Compagnie). Les actionnaires ont ratifié cette résolution lors de l'assemblée générale annuelle tenue le 6 mai 1970. Un résumé du contenu de cette résolution était inclus dans le circulaire d'information, daté le 10 mars 1970. Le 28 octobre 1971, la Compagnie accordait aux cadres supérieurs des options pour acheter, le ou avant le 28 octobre 1976, 40,000 actions ordinaires de la Compagnie aux prix de \$4.17 par action; les bénéficiaires de ces options ne peuvent pas en acheter plus que le tiers du total avant le 28 octobre 1972 et pas plus que les deux tiers avant le 28 octobre

1973. Le cours des actions pendant les trente jours précédant le 28 octobre 1971, a oscillé entre \$4.80 et \$5.25 par action. Au sujet dudit régime, aucune option d'acheter des actions ordinaires de la Compagnie n'était accordée à une personne en sa qualité d'administrateur.

Des options pour acheter 27,000 actions ordinaires de la Compagnie au prix de \$3.70 par action accordées par la Compagnie avant l'exercice terminé le 31 décembre 1971 ont été exercées par des cadres supérieurs depuis le commencement de cet exercice. Les actions ont été achetées les 17 février, 15 mars, 23 avril, 7 et 12 mai 1971 et le cours des actions durant le trimestre se terminant le 31 mars 1971 a oscillé entre \$5 $\frac{1}{8}$  et \$5 $\frac{7}{8}$  par action et durant le trimestre se terminant le 30 juin 1971 entre \$5.50 et \$6.25 par action.

Une option pour acheter 10,000 actions ordinaires de la Compagnie au prix de \$3.70 par action accordée par la Compagnie avant l'exercice financier terminé le 31 décembre 1971 à un cadre supérieur est devenue périmée à la suite de sa démission.

## Participation de membres de la direction et d'autres à des transactions d'importance

Il n'y a eu aucune transaction d'importance effectuée depuis le 1er janvier 1971, ou envisagée, qui a affecté ou affectera sensiblement la Compagnie ou l'une quelconque de ses filiales et dans lesquelles

- i) un administrateur ou un cadre supérieur de la Compagnie;
- ii) un candidat dont l'élection comme administrateur de la Compagnie est proposée;
- iii) toute personne ou compagnie qui, au su des administrateurs et des membres des cadres supérieurs de la Compagnie, détient à titre bénéficiaire, directement ou indirectement, plus de 10% des actions ordinaires de la Compagnie; et
- iv) tout associé ou affilié d'une quelconque des personnes ou compagnies susdites,

possède un intérêt important, direct ou indirect.

En date du 6 mars 1972.

Par ordre du conseil  
le secrétaire,  
G. R. DEVEY



## Nomination des vérificateurs

Il est prévu que le droit de vote attaché aux actions représentées par les délégations de pouvoir sollicitées par les présentes sera exercé pour le maintien dans leurs fonctions de Peat, Marwick, Mitchell & Co, 1155 ouest, boulevard Dorchester, Montréal (P.Q.), comme vérificateurs de la Compagnie jusqu'à la prochaine assemblée générale annuelle des actionnaires et pour autoriser les administrateurs à fixer leur rémunération.

## Actions comportant droit de vote et leurs principaux détenteurs

À la date des présentes, il y a en circulation 22,969,784 actions ordinaires de la Compagnie sans valeur nominale ou au pair, qui sont les seules actions de la Compagnie émises et comportant le droit de vote à l'assemblée.

À la connaissance des administrateurs et des membres des cadres supérieurs de la Compagnie, la seule personne ou Compagnie qui, à la date des présentes, détient à titre bénéficiaire, directement ou indirectement, plus de 10% des actions ordinaires de la Compagnie, est The Rio Tinto-Zinc Corporation Limited, 6 St. James's Square, Londres (Angleterre) laquelle détient 100 actions ordinaires en propre et 11,213,164 actions ordinaires à titre bénéficiaire par l'entremise de sa filiale, Tinto Holdings Canada Limited (Tinto Holdings), Suite 3209, Toronto-Dominion Centre, Toronto (Ontario), et de la filiale de Tinto Holdings, Thornwood Investments Limited (Thornwood), Suite 1101, Royal Trust Building, St. John's (Terre-Neuve), formant un bloc de 11,213,264 actions ordinaires, ou approximativement 49% des actions ordinaires de la Compagnie en circulation. Bethlehem Steel Corporation, de Bethlehem, Pa. (E.U.), un actionnaire minoritaire de Thornwood, détient 907,767 actions ordinaires de la Compagnie par l'entremise de sa filiale, InterOcean Shipping Company, a/s The International Trust Company of Liberia, 80 Broad Street, Monrovia, Liberia ou approximativement 4% des actions ordinaires de la Compagnie en circulation.

À l'occasion d'un vote à main levée, chaque actionnaire en personne et chaque fondé de pouvoir qui n'est pas un actionnaire aura droit à un seul vote.

À l'occasion d'un vote écrit, chaque actionnaire en personne ou représenté par délégation de pouvoir aura droit à un vote pour chacune des actions ordinaires de la Compagnie enregistrées à son nom. Tout actionnaire peut déléguer une autre personne (actionnaire ou non) comme son fondé de pouvoir pour assister à l'assemblée et y voter à sa place et en son nom. Lorsqu'un actionnaire ayant droit de vote est une compagne représentée par un fondé de pouvoir ou par une personne dûment déléguée et qui n'est pas un actionnaire de la Compagnie, ce fondé de pouvoir ou cette personne aura le droit de voter aussi bien à main levée que par écrit. L'acte de délégation de pouvoir doit

être signé par le mandant ou par son procureur dûment autorisé par écrit. Si l'actionnaire est une compagnie, la procuration devra porter le sceau de la compagnie ou la signature d'un fonctionnaire ou d'un procureur dûment autorisé.

L'acte de délégation de pouvoir, ainsi que la procuration ou autre autorisation (s'il y a lieu) en vertu de laquelle il est signé, ou encore la copie notariée de cette procuration ou autre autorisation devront être déposés à l'adresse indiquée dans l'avis de convocation, au plus tard quarante-huit heures avant l'heure fixée pour l'assemblée ou tout ajournement d'icelle à laquelle la personne nommée dans ledit document se propose de voter. L'acte de délégation de pouvoir ne sera valide que pour l'assemblée pour lequel il est donné ou pour tout ajournement de celle-ci.

## Exercice du droit de vote par un fondé de pouvoir proposé par la direction

La formule de délégation de pouvoir ci-jointe confère aux personnes y désignées des pouvoirs discrétionnaires de vote. Le droit de vote attaché aux actions représentées par tout acte de délégation de pouvoir valide sur ladite formule nommant les personnes y indiquées pour représenter l'actionnaire à l'assemblée, sera exercé, sous réserves des dispositions de l'article 106 de la loi de l'Ontario sur les Valeurs Mobilières (C. 426, R.S.O. 1970), conformément aux instructions de l'actionnaire précisées dans l'acte de délégation de pouvoir. À défaut de telles instructions, le droit de vote attaché aux actions représentées par ledit acte sera exercé en faveur de la résolution énoncée dans l'avis de convocation: à savoir: Résolution No 1 intitulée "Comptes et Rapports".

La direction n'a connaissance d'aucune question, autre que celles qui sont indiquées dans l'avis de convocation, qui sera soumise à l'assemblée. Cependant, si d'autres questions sont soumises selon les règles à l'assemblée, les personnes désignées dans la formule de délégation de pouvoir ci-jointe voteront sur celles-ci d'après leur meilleur jugement, en vertu du pouvoir discrétionnaire que leur confère l'acte de délégation de pouvoir à cet égard.

Désignation de personnes autres que celles proposées par la direction dans la formule de délégation de pouvoir  
Tout actionnaire a le droit de désigner comme son fondé de pouvoir une personne autre que celles indiquées dans la formule de délégation de pouvoir ci-jointe pour assister à sa place à l'assemblée et y voter en son nom. Tout actionnaire qui désire exercer ce droit peut le faire en bifflant les noms des personnes indiquées dans la formule de délégation de pouvoir et en y inscrivant, à l'endroit prévu, le nom de la personne qu'il veut désigner comme son fondé de pouvoir. Il peut également le faire en signant un acte de délégation de pouvoir semblable à la formule ci-jointe.



# CANDIDATS PROPOSÉS POUR ÉLECTION (suite)

Nom et fonctions occupées à la Compagnie	Administrateur depuis	Nombre d'actions ordinaires de la Compagnie détenues à titre bénéficiaire, directement ou indirectement	CANDIDATS PROPOSÉS POUR ÉLECTION	
			mai 1969	avril 1969
William D. Mulholland* (président, administrateur délégué et président suppléant du Comité exécutif)		100,800		
Gordon F. Pushie			décembre 1963	
Edmund L. de Rothschild, T-D.		33,534	juin 1954	
H. Greville Smith, CBE		100	août 1959	
Arthur S. Torrey		5,000	septembre 1954	
Sir Mark Turner*				avril 1969

\*Membre du Comité exécutif du Conseil d'administration.

On trouvera ci-après l'occupation ou l'emploi principal de chacune des personnes dont la candidature est proposée pour élection en qualité d'administrateur:

Robert D. Armstrong, président de Rio Algom Mines Limited, une société minière et un producteur d'acier spécial et de produits d'acier.

Henry Borden, administrateur et membre du Comité exécutif de Bell Canada, une compagnie de télécommunications.

L'Honorable Maurice Bourget, Membre du Sénat du Canada.

Bernard D. Broeker, Vice-président exécutif de Bethlehem Steel Corporation, un producteur d'acier et de produits d'acier, dont le siège social est à Bethlehem, Pa., (E.U.). Paul G. Desmarais, président du conseil et administrateur délégué de Power Corporation of Canada Limited, une société de placement et de gestion.

Sir Val (John Norman Vallette) Duncan, président du conseil et administrateur délégué de The Rio Tinto-Zinc Corporation Limited, société minière et industrielle internationale, de Londres (Angleterre).

Gustav Peter Fleck, président du conseil de New Court Securities Corporation, une société bancaire de placement, de New York (E.U.).

Lewis W. Foy, président de Bethlehem Steel Corporation. Jacques Georges-Picot, président honoraire du conseil de la Compagnie Financière de Suez et de l'Union Parisienne, une société de placement et de gestion de Paris (France).

## PRINCIPALES OCCUPATIONS DES CANDIDATS PROPOSÉS POUR ÉLECTION

Jean-Paul Gignac, président et directeur-général de Sidbec, un producteur d'acier et de produits d'acier.

Sam Harris, associé principal de Fried, Frank, Harris, Shriver and Jacobson, avocats de New-York (E.U.).

John Hugh Mowbray Jones, industriel à la retraite.

Harry Winsor Macdonell, vice-président exécutif de la Compagnie, un vice-président de Churchill Falls (Labrador) Corporation Limited.

Robert D. Mulholland, vice-président du conseil de la Banque de Montréal.

William D. Mulholland, président et administrateur délégué de la Compagnie et de Churchill Falls (Labrador) Corporation Limited.

Gordon Frizzell Pushie, conseiller industriel.

Edmund Léopold de Rothschild, président du conseil de N. M. Rothschild & Sons Limited, banque de commerce de Londres (Angleterre).

Harold Greville Smith, président de Canadian International Investment Trust Limited, trust de placement.

Arthur Starratt Torrey, à la retraite.

Sir Mark Turner, président suppléant du conseil de Kleinwort, Benson, Lonsdale Ltd., banque de commerce, et de Rio Tinto-Zinc Corporation Limited, compagnie minière et industrielle internationale, toutes deux ayant leur siège social à Londres (Angleterre).



CIRCULAIRE D'INFORMATION

Election des administrateurs

Le droit de vote attaché aux actions représentées par les délégations de pouvoir sollicitées dans les présentes sera exercé pour l'élection de chaque candidat nommé dans la liste ci-après (ou des candidats qui pourront les remplacer en cas de circonstances imprévues). Les candidats ainsi élus administrateurs seront en fonction jusqu'à ce qu'ils se retirent à la clôture ou à l'ajournement de la prochaine Assemblée Générale Annuelle, à moins que leur poste d'administrateur devienne vacant auparavant, tel que prévu dans les statuts. En vertu des statuts actuels, tous les administrateurs de la Compagnie se retireront à cette Assemblée Générale Annuelle et à chaque assemblée générale annuelle subséquente, mais ils seront éligibles à se présenter pour réélection. Après le 1er janvier 1973, les personnes qui auront atteint l'âge de soixante-dix ans ne seront pas éligibles à être nommées, se présenter ou se représenter au poste d'administrateur.

CANDIDATS PROPOSÉS POUR ELECTION

Les administrateurs ci-après se retireront à la clôture ou à l'ajournement de cette assemblée générale annuelle et seront éligibles à se présenter pour réélection :

*Nom et fonctions occupées* *Administrateur* *depuis* *Nombre d'actions ordinaires de la Compagnie détenues à titre bénéficiaire, directement ou indirectement*

Robert D. Armstrong	mai 1970	Aucune	Aucune
Henry Borden, SM, CMG, CR*	juillet 1963	Aucune	850
L'Honorable Maurice Bourget, PC	juillet 1963	1,000	5,000
Bernard D. Broeker	avril 1969	1,000	7,020
Paul Desmarais	avril 1969	1,000	7,020
Sir Val Duncan, OBE* (président du Comité exécutif)	avril 1953 jusqu'à juillet 1963; et depuis octobre 1963	Aucune	1,000
G. Peter Fleck	octobre 1963	Aucune	1,000
Lewis W. Foy	avril 1969	1,000	1,000
J. Georges-Picot, KBE	septembre 1958	Aucune	10,000
Jean-Paul Gignac	janvier 1970	100	10,000
Sam Harris*	juillet 1963	10,000	1,000
J. H. Mowbray Jones, D.Eng.	décembre 1962	1,000	100
Harry Winsor Macdonell, CR*	avril 1971	100	100
Robert D. Mulholland* (président du conseil)	mai 1970	100	100

Cette circulaire d'information est envoyée conformément aux dispositions de la loi de l'Ontario sur les valeurs mobilières (C. 426, R.S.O. 1970) et de ses amendements, à l'occasion de la sollicitation par la direction de Brinco Limited (ci-après appelée parfois "la Compagnie"), de délégation de pouvoir pour l'exercice de droits de vote à l'assemblée générale annuelle de la Compagnie ("l'Assemblée") qui doit avoir lieu à la date et pour les fins indiquées dans l'avis de convocation ci-annexé. Les informations contenues dans les présentes sont données en date du 6 mars 1972.

Demande de délégations de pouvoir

Outre cette sollicitation de délégations de pouvoir par la direction, des demandes de délégations de pouvoir pourront être faites au nom de la direction par des administrateurs, des fonctionnaires et des employés permanents de la Compagnie, soit par la poste, soit par télégramme, soit par téléphone. Le coût de la sollicitation, qui devrait être minimum, sera aux frais de la Compagnie.

\*Membre du Comité exécutif du Conseil d'administration.







**AVIS DE CONVOCATION**  
**d'une assemblée générale annuelle**  
*(Traduction)*

**AVIS** est donné par les présentes que l'assemblée générale annuelle de Brinco Limited ("la Compagnie") aura lieu au salon Duluth de l'Hôtel Reine Elizabeth, boulevard Dorchester ouest, à Montréal, Province de Québec, le jeudi, 20 avril 1972, à 11 heures du matin (heure normale de l'Est) aux fins de:

1. Considérer les comptes de la Compagnie ainsi que les rapports des administrateurs et des vérificateurs pour l'exercice terminé le 31 décembre 1971 et, si jugé à propos, adopter comme résolution ordinaire la résolution No 1 intitulée, "Comptes et Rapports", dont traduction est jointe aux présentes.

2. Elire les administrateurs.

3. Nommer les vérificateurs et autoriser les administrateurs à fixer leur rémunération.

4. Traiter de toutes autres questions intéressant la Compagnie qui auront dûment été présentées à l'assemblée.

Les actionnaires qui ne pourront assister à l'assemblée ont le droit de s'y faire représenter par un fondé de pouvoir. À cet effet, ils sont priés de dater et de signer la formule de délégation de pouvoir ci-jointe, après avoir consulté les sections pertinentes du circulaire d'information ci-annexé, et de la retourner à la Compagnie Trust Royal, C.P. 1810, Station "B", Montréal 110, (Québec) au moins quarante-huit heures avant l'heure fixée pour l'assemblée. Il n'est pas nécessaire que le fondé de pouvoir soit actionnaire de la Compagnie.

Date ce sixième jour de mars 1972.

Par ordre du Conseil  
*le secrétaire*  
G. R. DEVEY

**RÉSOLUTION**  
*(Traduction)*  
**Résolution No 1 — À être présentée comme résolution ordinaire**  
**"Comptes et Rapports"**  
**IL EST RÉSOLU**

QUE, les comptes et le bilan de la Compagnie ainsi que les rapports des administrateurs et des vérificateurs pour l'exercice terminé le 31 décembre 1971 soient et sont par les présentes adoptés.



MAR 26 1973

## AR30

### NOTICE of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of Brinco Limited (the "Company") will be held in The Cinema Westmount Square, One Westmount Square, Montreal, Quebec, at 11:00 a.m. (Eastern Standard Time), on Thursday, April 12, 1973 for the following purposes:

1. To consider the Company's accounts and balance sheet and the reports of the directors and auditors for the year ended December 31, 1972 and, if thought fit, pass as an Ordinary Resolution, Resolution No. 1 entitled "Accounts and Reports", a copy of which is set forth below;
2. To elect directors;
3. To appoint auditors and authorize the directors to fix their remuneration;
4. To consider and if thought fit, pass as a Special Resolution, Resolution No. 2 entitled "Increase in authorized Share Capital", a copy of which is set forth below;
5. To transact such other business of the Company as may properly come before the Meeting.

Any Shareholder who is unable to attend the Meeting in person is entitled to be represented by a proxy and is requested, after referring to the pertinent sections of the attached Information Circular, to date, sign and return the enclosed form of proxy to The Royal Trust Company, P.O. Box 1810, Station "B", Montreal 110, Province of Quebec, not less than forty-eight hours before the time fixed for the Meeting. A proxy need not be a Shareholder of the Company.

Dated this 28th day of February, 1973

By Order of the Board

M. C. BURNES

Secretary

#### RESOLUTIONS

##### Resolution No. 1 — To be Proposed as an Ordinary Resolution

###### "Accounts and Reports"

###### RESOLVED

THAT the Company's accounts and balance sheet and the reports of the directors and auditors for the year ended December 31, 1972 be and they are hereby adopted.

##### Resolution No. 2 — To be Proposed as a Special Resolution

###### "Increase in Authorized Share Capital"

###### RESOLVED

THAT the authorized Share Capital of the Company be increased from twenty-five million (25,000,000) Common Shares without nominal or par value to thirty-five million (35,000,000) Common Shares without nominal or par value by the creation of ten million new Common Shares without nominal or par value, so that the authorized Share Capital of the Company will be thirty-five million (35,000,000) Common Shares without nominal or par value and that the Memorandum and Articles of Association of the Company be modified and altered accordingly.

Attached hereto:  
Information Circular

Enclosed herewith:  
Form of Proxy  
Postage paid addressed envelope

(Version française au verso)





## INFORMATION CIRCULAR

This Information Circular is furnished in accordance with the provisions of The Securities Act of Ontario, c. 426, R.S.O. 1970, as amended, in connection with the solicitation by the management of Brinco Limited (hereinafter sometimes called the "Company") of proxies to be voted at the Annual General Meeting of the Company (the "Meeting"), to be held on the date and for the purposes set forth in the accompanying Notice of the said Meeting. The information contained herein is given as of the 28th day of February, 1973.

### Solicitation of Proxies

**In addition to the present solicitation by management, proxies may also be solicited on behalf of management by directors, officers and regular employees of the Company, by mail, by telegram or by telephone. The cost of solicitation, which is expected to be nominal, will be borne by the Company.**

### Particulars of Special Matters To Be Acted Upon

At the Meeting, the Shareholders will be asked to pass a Special Resolution (Resolution No. 2 entitled "Increase in

authorized Share Capital") to increase the authorized Share Capital of the Company to 35,000,000 Common Shares without nominal or par value, by the creation of an additional 10,000,000 Common Shares without nominal or par value, such Shares to be at the disposal of the Board.

### Election of Directors

The shares represented by the proxies hereby solicited will be voted for the election of each of the proposed nominees listed below (or for substitute nominees in the event of contingencies not known at the date hereof). Each such nominee who is elected a director shall hold office until his retirement at the close or adjournment of the next following Annual General Meeting, unless his office is vacated earlier, as provided in the Articles of Association of the Company. The Company's Articles of Association state that at every Annual General Meeting all of the directors for the time being shall retire from office and that any retiring director or any person shall be eligible for re-election, election or appointment as a director provided that he has not attained the age of seventy (70).

### PROPOSED NOMINEES FOR ELECTION

The following directors who will retire at the close or adjournment of this Annual General Meeting, will be eligible for re-election at the Meeting:—

<i>Name and Offices held with the Company</i>	<i>Period of Service as a Director (From)</i>	<i>Common Shares of the Company beneficially owned, directly or indirectly</i>
Robert D. Armstrong	May 1970	100
The Hon. Maurice Bourget, P.C.	July 1963	850
Bernard D. Broeker	April 1969	1,000
Paul Desmarais	April 1969	5,000
Sir Val Duncan, O.B.E.* (Chairman of Executive Committee)	April 1953 to July 1963; and from October 1963	7,020
G. Peter Fleck	October 1963	None
Lewis W. Foy	April 1969	1,000
Jean-Paul Gignac, Eng.	January 1970	100
Sam Harris*	July 1963	10,000
J. H. Mowbray Jones, D.Eng.	December 1962	1,000
Harry W. Macdonell, Q.C.* (Executive Vice-President)	April 1971	100
Ralph B. McKibbin	June 1972	1,000
Robert D. Mulholland* (Chairman)	May 1970	100

\*Member of the Executive Committee of the Board of Directors.

(continued)

PROPOSED NOMINEES FOR ELECTION (*continued*)

<i>Name and Offices held with the Company</i>	<i>Period of Service as a Director (From)</i>	<i>Common Shares of the Company beneficially owned, directly or indirectly</i>
William D. Mulholland* (President & Chief Executive Officer and Deputy Chairman of Executive Committee)	May 1969	100,800
Gordon F. Pushie	December 1963	None
Edmund L. de Rothschild, T.D.	June 1954	31,252
Sir Mark Turner*	April 1969	None

\*Member of the Executive Committee of the Board of Directors.

The following proposed nominees will be eligible for election at the Meeting:—

<i>Name</i>	<i>Common Shares of the Company beneficially owned, directly or indirectly</i>
E. Jacques Courtois, Q.C.	500
Dominique de Grièges, C.B.E.	None
Hiro Hiyama	None

PRINCIPAL OCCUPATION OF PROPOSED NOMINEES FOR ELECTION

Set out below is the principal occupation or employment of each person proposed to be nominated for election as a director, and, in respect of the three new nominees for election, the principal occupations or employments within the five preceding years:

Robert D. Armstrong, President of Rio Algom Mines Limited, a mining company and manufacturer of specialty steel and steel products.

The Hon. Maurice Bourget, Member of the Senate of Canada.

Bernard D. Broeker, Executive Vice-President of Bethlehem Steel Corporation, manufacturer of steel and steel products with Headquarters in Bethlehem, Pa., U.S.A.

E. Jacques Courtois, for more than the preceding five years, a partner of Messrs. Laing, Weldon, Courtois, Clarkson, Parsons, Gonthier & Tétrault, advocates, barristers and solicitors.

Paul G. Desmarais, Chairman and Chief Executive Officer of Power Corporation of Canada Limited, an investment and management company.

Sir Val (John Norman Valette) Duncan, Chairman and Chief Executive of The Rio Tinto-Zinc Corporation Limited, an international mining and industrial corporation, of London, England.

G. Peter Fleck, Chairman of New Court Securities Corporation, an investment banking company, of New York, U.S.A.

Lewis W. Foy, President of Bethlehem Steel Corporation.

Jean-Paul Gignac, President and General Manager of Sidbec-Dosco, manufacturer of steel and steel products.

Dominique de Grièges, Vice-Chairman of Compagnie Financière de Suez and Chairman and General Manager of Suez International, investment and holding companies, of Paris, France, since May 1971. Prior thereto, he was Vice-Chairman and General Manager (July 1968 to May 1971), General Manager and a director (1967 to 1968) and a General Manager (1957 to 1967) of the former company.

Sam Harris, a senior partner of Fried, Frank, Harris, Shriver and Jacobson, attorneys-at-law, of New York, U.S.A.

Hiro Hiyama, for more than the preceding five years, President of Marubeni Corporation, a trading company, of Tokyo, Japan.

John Hugh Mowbray Jones, retired industrialist.

Harry W. Macdonell, Executive Vice-President of the Company and President of Churchill Falls (Labrador) Corporation Limited.

Ralph B. McKibbin, Chairman of the Board of Morgan Stanley Canada Limited, investment bankers, since June, 1972, and for more than five years until retirement in May 1971, a Deputy Governor of the Bank of Canada.

Robert D. Mulholland, Vice-Chairman of the Board, Bank of Montreal.

William D. Mulholland, President and Chief Executive Officer of the Company and Chairman and Chief Executive Officer of Churchill Falls (Labrador) Corporation Limited.

Gordon Frizzell Pushie, Industrial Consultant.

Edmund Leopold de Rothschild, Chairman of N. M. Rothschild & Sons Limited, Merchant Bankers, of London, England.

Sir Mark Turner, Deputy Chairman of The Rio Tinto-Zinc Corporation Limited.



## **Appointment of Auditors**

It is intended that the shares represented by the proxies hereby solicited will be voted for the reappointment of Peat, Marwick, Mitchell & Co., 1155 Dorchester Blvd. West, Montreal, Quebec, as auditors of the Company to hold office until the next Annual General Meeting of the Company and for the authorization of the directors to fix their remuneration.

## **Voting Shares and Principal Holders Thereof**

As at the date hereof, there were outstanding 23,008,544 Common Shares of the Company without nominal or par value, being the only class of shares of the Company issued and entitled to be voted at the Meeting.

Subscriptions have been received for an additional 1,200,000 Common Shares of the Company and, subject to receipt of approvals from regulatory authorities, the Company expects that such additional shares will be issued and outstanding as at the date of the Meeting.

To the knowledge of the directors and senior officers of the Company the only person or company, at the date hereof, which beneficially owns, directly or indirectly, more than 10% of the Common Shares of the Company is The Rio Tinto-Zinc Corporation Limited, 6 St. James's Square, London, England, which itself owns 100 Common Shares and which beneficially owns 11,213,164 Common Shares through its subsidiary, Tinto Holdings Canada Limited (Tinto Holdings), Suite 3209, Toronto-Dominion Centre, Toronto, Ontario and Tinto Holdings' subsidiary, Thornwood Investments Limited (Thornwood) Suite 1101, Royal Trust Building, St. John's, Newfoundland, being an aggregate of 11,213,264 Common Shares or approximately 49% of the outstanding Common Shares of the Company. Interocean Shipping Company, c/o The International Trust Company of Liberia, 80 Broad Street, Monrovia, Liberia, a minority shareholder in Thornwood and a subsidiary of Bethlehem Steel Corporation, Bethlehem, Pa., U.S.A. owns 907,767 Common Shares or approximately 4% of the outstanding Common Shares of the Company.

Upon a show of hands every Shareholder present in person and every proxy who is not a Shareholder and who represents a Shareholder entitled to vote, shall have one vote only.

Upon a poll, every Shareholder present in person or by proxy, and entitled to vote, shall have one vote for each Common Share of the Company registered in his name. A Shareholder may appoint another person, who need not

be a Shareholder of the Company, as his proxy to attend and vote in his place and stead; where a corporation, being a Shareholder entitled to vote, is present by proxy, or by a person duly appointed who is not a Shareholder, such proxy or person shall, in addition to voting on a poll, be entitled to vote for such corporation on a show of hands. The instrument appointing the proxy shall be in writing under the hand of the Shareholder or of his attorney, duly authorized in writing or, if the Shareholder be a corporation, either under its Seal or under the hand of an officer or its attorney so authorized.

The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be deposited at the address fixed by the Notice of the Annual General Meeting not less than forty-eight hours before the time appointed for holding the Meeting or adjourned Meeting at which the person named in the instrument proposes to vote. The instrument appointing a proxy shall be valid only for the Meeting for which it is given or any adjournment thereof.

## **Voting of Shares Represented by Management Proxy**

**The accompanying form of proxy confers discretionary voting authority upon the persons designated therein. The shares represented by any valid Instrument of Proxy on the said form and appointing the persons named therein to represent the Shareholder at the Meeting will be voted in accordance with the directions of the Shareholder as specified in the Instrument of Proxy. In the absence of such directions, the shares represented by such Instrument of Proxy will be voted in favour of the resolutions set forth in the Notice of Meeting, namely: Resolution No. 1 entitled "Accounts and Reports" and Resolution No. 2 entitled "Increase in authorized Share Capital".**

Management is not aware of any matters other than those identified in the Notice of Meeting that may come before the Meeting. If, however, other matters properly come before the Meeting, or there are any amendments or variations to matters identified in the Notice of Meeting, the persons designated in the accompanying form of proxy will vote thereon in accordance with their best judgment pursuant to the discretionary authority conferred by the Instrument of Proxy with regard to such matters.

## **Designation of Persons Other Than Those Named in the Management Proxy**

**Each Shareholder has the right to designate as his proxy a person other than those designated in the accompanying form of proxy to attend and vote for such Shareholder at**

the Meeting. Any Shareholder desiring to exercise such right may do so by striking out the names of the persons designated in the accompanying form of proxy and inserting, in the space provided, the name of the person he wishes to designate as his proxy, or he may do so by executing an instrument appointing a proxy in a form similar to the accompanying form of proxy.

### Revocability of Proxy

A Shareholder giving a proxy has power to revoke it at any time before it has been exercised, provided notice in writing of such revocation shall have been received by the Company at its registered office, Crosbie Place, St. John's, Newfoundland, at least forty-eight hours before the commencement of the Meeting or adjourned Meeting at which the Instrument of Proxy is to be used.

### Remuneration of Management and Others

The aggregate direct remuneration including salaries, bonuses and retirement allowances paid or agreed to be paid to directors and senior officers of the Company during the year ended December 31, 1972 by the Company and its consolidated subsidiaries, was \$212,955 and by its unconsolidated subsidiaries, was \$175,786. In addition, certain senior officers of the Company whose services were provided pursuant to an agreement with Rio Tinto North American Services Limited have received remuneration directly from that company.

The estimated aggregate cost to the Company and its subsidiaries in the year ended December 31, 1972 of all

pension benefits proposed to be paid under any normal pension plan, directly or indirectly, by the Company and its subsidiaries to directors and senior officers of the Company, in the event of their retirement at normal retirement age, was \$12,551.

On February 24, 1972 the Company granted to a senior officer, pursuant to the terms of the Stock Option Plan of May 6, 1970, an option to purchase on or before February 24, 1977, 5,000 Common Shares of the Company at a price of \$5.18 per share. The price range of the shares during the thirty-day period prior to the date on which the option was granted was from \$5 $\frac{5}{8}$  to \$6.00.

Since January 1, 1972, senior officers exercised options to purchase 10,500 Common Shares of the Company as follows:

Date of Purchase	Number of Shares Purchased	Price	Price Range of Shares During 30-day Period Prior to Date of Purchase	
			High	Low
May 15, 1972	1,333	\$3.70	\$6 $\frac{1}{2}$	\$6
Aug. 11, 1972	667	\$3.70	\$6 $\frac{3}{4}$	\$6
Oct. 25, 1972	5,000	\$3.70	\$6	\$5 $\frac{5}{8}$
Feb. 16, 1973	3,500	\$4.73	\$6	\$5 $\frac{1}{2}$

Dated as of the 28th day of February, 1973.

By Order of the Board  
M. C. BURNES  
Secretary





## Nomination des vérificateurs

Il est prévu que le droit de vote attaché aux actions représentées par les délégations de pouvoir sollicitées par les présentes sera exercé pour le maintien dans leurs fonctions de Peat, Marwick, Mitchell & Co., 1155 ouest, boulevard Dorchester, Montréal, (Québec), comme vérificateurs de la Compagnie jusqu'à la prochaine assemblée générale annuelle des actionnaires et pour autoriser les administrateurs à fixer leur rémunération.

## Actions comportant droit de vote et leurs principaux détenteurs

À la date des présentes, il y a en circulation 23,008,544 actions ordinaires de la Compagnie sans valeur nominale ou au pair, qui est la seule classe d'actions émises par la Compagnie et comportant le droit de vote à l'Assemblée. Des souscriptions ont été reçues pour 1,200,000 actions ordinaires additionnelles de la Compagnie et, sujet à l'approbation des autorités compétentes, la Compagnie s'attend à ce que ces actions additionnelles soient émises et en circulation à la date de l'Assemblée.

À la connaissance des administrateurs et des membres des cadres supérieurs de la Compagnie, la seule personne ou compagnie qui, à la date des présentes, détient à titre bénéficiaire, directement ou indirectement, plus de 10% des actions ordinaires de la Compagnie, est The Rio Tinto Zinc Corporation Limited, 6 St. James's Square, Londres (Angleterre), laquelle détient 100 actions ordinaires en propre et 11,213,164 actions ordinaires à titre bénéficiaire par l'entremise de sa filiale, Tinto Holdings Canada Limited ("Tinto Holdings"), Suite 3209, Toronto-Dominion Centre, Toronto (Ontario), et de la filiale de Tinto Holdings, Thornwood Investments Limited ("Thornwood"), Suite 1101, Royal Trust Building, St. John's (Terre-Neuve), formant un bloc de 11,213,264 actions ordinaires, ou approximativement 49% des actions ordinaires de la Compagnie en circulation. Bethlehem Steel Corporation, de Bethlehem, Pa. (E.-U.), un actionnaire minoritaire de Thornwood, détient 907,767 actions ordinaires de la Compagnie par l'entremise de sa filiale, Interoccean Shipping Company, a/s The International Trust Company of Liberia, 80 Broad Street, Montevia (Liberia) ou approximativement 4% des actions ordinaires de la Compagnie en circulation.

À l'occasion d'un vote écrit, chaque actionnaire en personne ou représenté par délégation de pouvoir aura droit à un vote écrit, chaque actionnaire en personne et chaque fondé de pouvoir qui n'est pas un actionnaire aura droit à un seul vote.

À l'occasion d'un vote à main levée, chaque actionnaire en personne et chaque fondé de pouvoir qui n'est pas un actionnaire aura droit à un seul vote.

de vote est une compagnie représentée par un fondé de pouvoir ou par une personne dûment déléguée et qui n'est pas un actionnaire de la Compagnie, ce fondé de pouvoir ou cette personne aura le droit de voter aussi bien à main levée que par écrit. L'acte de délégation de pouvoir doit être signé par le mandant ou par son procureur dûment autorisé par écrit. Si l'actionnaire est une compagnie, la procuration devra porter le sceau de la compagnie ou la signature d'un fonctionnaire ou d'un procureur dûment autorisé.

L'acte de délégation de pouvoir, ainsi que la procuration ou autre autorisation (s'il y a lieu) en vertu de laquelle il est signé, ou encore la copie notariée de cette procuration ou autre autorisation devront être déposés à l'adresse indiquée dans l'avis de convocation, au plus tard quarante-huit heures avant l'heure fixée pour l'assemblée ou tout ajoutement d'icelle à laquelle la personne nommée dans ledit document se propose de voter. L'acte de délégation de pouvoir ne sera valide que pour l'assemblée pour laquelle il est donné ou pour tout ajournement de celle-ci.

## Exercice du droit de vote par un fondé de pouvoir proposé par la direction

La formule de délégation de pouvoir ci-jointe confère aux personnes y désignées des pouvoirs discrétionnaires de vote. Le droit de vote attaché aux actions représentées par tout acte de délégation de pouvoir valide sur ladite formule nommant les personnes y indiquées pour représenter l'actionnaire à l'Assemblée, sera exercé conformément aux instructions de l'actionnaire précisées dans l'acte de délégation de pouvoir. À défaut de telles instructions, le droit de vote attaché aux actions représentées par ledit acte sera exercé en faveur des résolutions énoncées dans l'avis de convocation, à savoir: Résolution No 1 intitulée "Comptes et Rapports" et Résolution No 2 intitulée "Augmentation du capital-action autorisée".

La direction n'a connaissance d'aucune question, autre que celles qui sont indiquées dans l'avis de convocation, qui sera soumise à l'Assemblée. Cependant, si d'autres questions sont soulevées, selon les règles, à l'Assemblée, ou si des amendements ou des changements sont apportés aux positions indiquées dans l'avis de convocation, les personnes désignées dans la formule de délégation de pouvoir ci-jointe voteront sur celles-ci d'après leur meilleur jugement, en vertu du pouvoir discrétionnaire que leur confère l'acte de délégation de pouvoir à cet égard.

Désignation de personnes autres que celles proposées par la direction dans la formule de délégation de pouvoir Tout actionnaire a le droit de désigner comme son fondé de pouvoir une personne autre que celles indiquées dans la formule de délégation de pouvoir ci-jointe pour assister à sa place à l'Assemblée et y voter en son nom. Tout actionnaire qui désire exercer ce droit peut le faire en biffant les



PERSONNES PROPOSÉES POUR ÉLECTION (suite)

Nom et fonctions occupées à la Compagnie	Administrateur depuis	Nombre d'actions ordinaires de la Compagnie détenues à titre bénéficiaire, directement ou indirectement	100,800	Aucune	31,252	Aucune	avril 1969	Aucune	Sir Mark Turner*	Membre du Comité de direction du Conseil d'administration.	Les personnes suivantes seront proposées pour élection lors de l'assemblée:	Nom	E. Jacques Courtois, C.R. Dominique de Grèges, C.B.E. Hiro Hiyyama	500	Aucune	Aucune	Nombre d'actions ordinaires de la Compagnie détenues à titre bénéficiaire, directement ou indirectement
William D. Mulholland*	mai 1969																
(président, administrateur délégué et président suppléant du Comité de direction)																	
Gordon F. Pushie	décembre 1963																
Edmund L. de Rothschild, T.D.	juin 1954																
Sir Mark Turner*	avril 1969																

PRINCIPALES OCCUPATIONS DES PERSONNES PROPOSÉES POUR ÉLECTION

On trouvera ci-après l'occupation ou l'emploi principal de chacune des personnes proposées pour élection en qualité d'administrateur:	Robert D. Armstrong, président de Rio Algom Mines Limited, société minière et producteur d'acier spécial et de produits d'acier.	L'Honorable Maurice Bourget, membre du Sénat du Canada.	Bernard D. Broecker, vice-président administratif de Beth- lehem Steel Corporation, producteur d'acier et de produits d'acier, dont le siège social est à Bethlehem, Pa. (E.-U.)	E. Jacques Courtois, depuis plus de cinq ans, associé de Laing, Weldon, Courtois, Clarkson, Parsons, Gonthier & Tétrault, avocats.	Paul G. Desmarais, président du conseil et administrateur délégué de Power Corporation of Canada Limited, société de placement et de gestion.	Sir Val (John Norman Valette) Duncan, président du conseil et administrateur délégué de The Rio Tinto-Zinc Corporation Limited, société minière et industrielle inter- nationale, de Londres (Angleterre).	G. Peter Fleck, président du conseil de New Court Secur- ities Corporation, société bancaire de placement, de New York (E.-U.).	Lewis W. Foy, président de Bethlehem Steel Corporation.	Jean-Paul Gignac, président et directeur-général de Sidbec- Dosco, producteur d'acier et de produits d'acier.	
Dominique de Grèges, vice-président de la Compagnie Financière de Suez et président-directeur général de Suez International, toutes deux sociétés de placement et de ges- tion de Paris (France) depuis mai 1971. Auparavant, il a été vice-président-directeur général (de juillet 1968 à mai 1971), directeur-général et administrateur (de 1967 à 1968) et directeur-général (de 1957 à 1967) de la Com- pagnie Financière de Suez.	Sam Harris, associé principal de Fried, Frank, Harris, Shriver and Jacobson, avocats de New-York (E.-U.).	Hiro Hiyyama, depuis plus de cinq ans, président de Marubeni Corporation, entreprise commerciale, de Tokyo (Japon).	John Hugh Mowbray Jones, industriel à la retraite.	Harry W. Macdonell, vice-président administratif de la Compagnie et président de Churchill Falls (Labrador) Corporation Limited.	Ralph B. McKibbin, président du conseil de Morgan Stanley Canada Limited depuis juin 1972, et durant plus de cinq ans jusqu'à sa retraite en mai 1971, sous-gouverneur de la Banque du Canada.	Robert D. Mulholland, vice-président du conseil de la Banque de Montréal.	William D. Mulholland, président et administrateur délégué de la Compagnie et président du conseil et administrateur délégué de Churchill Falls (Labrador) Corporation Limited.	Gordon Frizzell Pushie, conseiller industriel.	Edmund Léopold de Rothschild, président du conseil de N. M. Rothschild & Sons Limited, banque de commerce, de Londres (Angleterre).	Sir Mark Turner, président suppléant du conseil de Rio Tinto-Zinc Corporation Limited.

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CIRCULAIRE D'INFORMATION

“Augmentation du capital-action autorisé” aux fins d’augmenter le capital-action autorisé de la Compagnie à 35,000,000 d’actions ordinaires sans valeur nominale ou au pair, par la création de 10,000,000 d’actions ordinaires supplémentaires sans valeur nominale ou au pair. Ces actions seront à la discrétion du Conseil.

Election des administrateurs

Le droit de vote attaché aux actions représentées par les délégations de pouvoir sollicitées dans les présentes sera exercé pour l’élection de chaque personne nommée dans la liste ci-après (ou des personnes qui pouront les remplacer en cas de circonstances imprévues). Les personnes ainsi élues administrateurs seront en fonction jusqu’à ce qu’elles se retirent à la clôture ou à l’ajournement de la prochaine assemblée générale annuelle, à moins que leur poste d’administrateur devienne vacant auparavant, tel que prévu dans les statuts. En vertu des statuts actuels, tous les administrateurs de la Compagnie se retireront à cette assemblée générale annuelle et tout administrateur s’étant retiré ou tout autre personne sera éligible à ré-élection, élection ou nomination en tant qu’administrateur pourvu qu’elle n’ait pas atteint l’âge de soixante-dix (70) ans.

Cette circulaire d’information est envoyée conformément aux dispositions de la loi de l’Ontario sur les valeurs mobilières (C. 426, R.S.O. 1970) et de ses amendements, à l’occasion de la sollicitation par la direction de Brinco Limited (ci-après appelée parfois “la Compagnie”), de délégations de pouvoir pour l’exercice de droits de vote à l’assemblée générale annuelle de la Compagnie (“l’Assemblée”) qui doit avoir lieu à la date et pour les fins indiquées dans l’avis de convocation ci-annexé. Les informations contenues dans les présentes sont données en date du 28 février 1973.

Demande de délégations de pouvoir

Outre cette sollicitation de délégations de pouvoir par la direction, des demandes de délégations de pouvoir pourront être faites au nom de la direction par des administrateurs, des fonctionnaires et des employés permanents de la Compagnie, soit par la poste, soit par télégramme, soit par téléphone. Le coût de la sollicitation, qui devrait être minimum, sera aux frais de la Compagnie.

Détails des questions spéciales à l'ordre du jour

Lors de l’Assemblée, les actionnaires seront invités à adopter une résolution spéciale (Résolution No 2 intitulée

PERSONNES PROPOSÉES POUR ÉLECTION

Les administrateurs ci-après se retireront à la clôture ou à l’ajournement de cette assemblée générale annuelle et seront éligibles à se présenter pour ré-élection :

Nom et fonctions occupées		Administrateur depuis		Nombre d'actions ordinaires de la Compagnie détenues à titre bénéficiaire, directement ou indirectement	
Robert D. Armstrong		mai 1970	100		
L'Honorable Maurice Bourget, P.C.		juillet 1963	850		
Bernard D. Brocker		avril 1969	1,000		
Paul Desmarais		avril 1969	5,000		
Sir Val Duncan, O.B.E.*	(président du Comité de direction)	avril 1953	7,020		
		octobre 1963			
G. Peter Fleck		octobre 1963	Aucune		
Lewis W. Foy		avril 1969	1,000		
Jean-Paul Gignac, Ing.		janvier 1970	100		
Sam Harris*		juillet 1963	10,000		
J. H. Mowbray Jones, D.Eng.		décembre 1962	1,000		
Harry W. Macdonell, C.R.*	(vice-président administratif)	avril 1971	100		
Ralph B. McKibbin		juin 1972	1,000		
Robert D. Mulholland*	(président du conseil)	mai 1970	100		

\*Membre du Comité de direction du Conseil d'administration.





**AVIS DE CONVOCATION**

**d'une assemblée générale annuelle**

*(Traduction)*

**AVIS** est donné par les présentes que l'assemblée générale annuelle de Brinco Limited ("la Compagnie") aura lieu au Cinéma Westmount Square, Un Westmount Square, Montréal, Québec, le jeudi, 12 avril 1973, à 11 heures du matin (heure normale de l'Est) aux fins de:

1. Considérer les comptes de la Compagnie ainsi que les rapports des administrateurs et des vérificateurs pour l'exercice terminé le 31 décembre 1972 et, si jugé à propos, adopter comme résolution ordinaire la résolution No 1 intitulée, "Comptes et Rapports", dont traduction est jointe aux présentes.
2. Elire les administrateurs.
3. Nommer les vérificateurs et autoriser les administrateurs à fixer leur rémunération.
4. Considérer, et si jugé à propos, adopter comme résolution spéciale la résolution No 2 intitulée "Augmentation du capital-action autorisé", dont traduction est jointe aux présentes.
5. Traiter de toutes autres questions intéressant la Compagnie qui auront dûment été présentées à l'assemblée.

Les actionnaires qui ne pourront assister à l'assemblée ont le droit de s'y faire représenter par un fondé de pouvoir. A cet effet, ils sont priés de dater et de signer la formule de délégation de pouvoir ci-jointe, après avoir consulté les sections pertinentes de la circulaire d'information ci-annexée, et de la retourner à la Compagnie Trust Royal, C.P. 1810, succursale "B", Montréal 110 (Québec) au moins quarante-huit heures avant l'heure fixée pour l'assemblée. Il n'est pas nécessaire que le fondé de pouvoir soit actionnaire de la Compagnie.

Daté ce 28ième jour de février 1973.

Par ordre du Conseil  
le secrétaire  
M. C. BURNES

**RÉSOLUTIONS**

*(Traduction)*

**Résolution No 1 — A être présentée comme résolution ordinaire**  
**"Comptes et Rapports"**

**IL EST RESOLU**

QUE, les comptes et le bilan de la Compagnie ainsi que les rapports des administrateurs et des vérificateurs pour l'exercice terminé le 31 décembre 1972 soient et sont par les présentes adoptés.

**Résolution No 2 — A être présentée comme résolution spéciale**

**"Augmentation du capital-action autorisé"**

**IL EST RESOLU**

QUE le capital-action autorisé de la Compagnie soit augmenté de vingt-cinq millions (25,000,000) d'actions ordinaires sans valeur nominale ou au pair à trente-cinq millions (35,000,000) d'actions ordinaires sans valeur nominale ou au pair par la création de dix millions de nouvelles actions ordinaires sans valeur nominale ou au pair, de sorte que le capital-action autorisé de la Compagnie soit trente-cinq millions (35,000,000) d'actions ordinaires sans valeur nominale ou au pair et que les statuts de la Compagnie soient modifiés en conséquence.

En annexe:

Circulaire d'information

Ci-jointes:

Formule de délégation de pouvoir  
Enveloppe adressée et affranchie



AR30

March 29, 1974

APR 2 1974

TO ALL SHAREHOLDERS:

We wrote to you on March 19 regarding the intention of the Government of Newfoundland to acquire all outstanding Brinco shares and the progress of our negotiations with respect to the price and form of the transaction.

After lengthy discussions your Board of Directors has approved an agreement with the Government of Newfoundland which it now recommends for your acceptance. Under the terms of this agreement Brinco will sell to the Province the shares owned by it of Churchill Falls (Labrador) Corporation together with the other Labrador water power rights owned by Brinco for a price of \$160,000,000 in cash.

The Company has further agreed to use its best efforts to assure the continued services of a skilled staff for the completion of Churchill Falls and to carry on in 1974 the current program for development of the Lower Churchill power site at Gull Island. At the request of the Government, Brinco has agreed to submit a proposal for the continued management of the Gull Island project.

We believe that this settlement is fair and reasonable to the shareholders of Brinco. It protects for their benefit the substantial values inherent in Brinco's non-hydro assets and its fine organization.

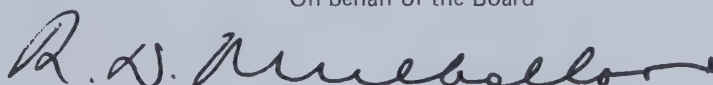
After the closing of the sale, the Company will make an offer to its shareholders of \$7.07 per share, so that each shareholder will have the choice of remaining a shareholder in Brinco or receiving cash in payment for his shares. The Government of Newfoundland has agreed, if requested by Brinco, to enact enabling legislation for this purpose.

The Rio Tinto-Zinc Corporation, Bethlehem Steel Corporation and Marubeni Corporation, all of whom are represented on the Board of Directors of Brinco, have stated their intention to vote their shares in favor of the agreement, and to remain as shareholders of the Company. They intend therefore to reject the cash offer with respect to their shares, which amount to over 54% of the total outstanding.

There will be mailed to you as soon as practicable notice of a special general meeting of the shareholders to consider and, if deemed advisable, to approve the terms of the agreement. The cash offer to shareholders will follow thereafter.

The proceeds of the sale will enable Brinco to intensify its program of natural resource development and related exploration and will permit it to accelerate the timetable for some of its other projects. This program will be outlined to you at the special general meeting.

On behalf of the Board



R. D. Mulholland, Chairman



W. D. Mulholland, President





March 19, 1974

MAR 25 1974

TO ALL SHAREHOLDERS:

The request of the Government of Newfoundland to suspend trading in the shares of Brinco effective last Monday, March 11, was made without the knowledge of the officers or directors of Brinco or of The Rio Tinto-Zinc Corporation Limited (RTZ), Brinco's largest shareholder.

Immediately following suspension of trading, Ministers of the Government of Newfoundland visited the offices of Brinco and of RTZ. In those visits, the desire of the Government to acquire the outstanding shares of Brinco was first communicated to your Company and to RTZ. The Company made a public announcement of this information promptly.

The Government stated to the Chairman of RTZ that it wished to acquire the shares of Brinco held by RTZ, its associates and affiliates, at a cash price of \$6.75 per share and, if accepted by RTZ, would also make the same offer to all shareholders of your Company, other than residents of the United States. The Premier of Newfoundland stated on March 13 that if RTZ did not agree by March 15 to sell its shares of Brinco, the Province planned to introduce legislation vesting all the shares of Brinco in the Province effective 9:00 a.m. (Newfoundland time), March 11, 1974, thereby threatening forcibly to take over all the shares of Brinco retroactively.

The foregoing was conveyed in a letter received by your Chairman and the Chairman of RTZ shortly before midnight on Thursday, March 14.

The Board considered the matter together with its financial advisors and told the Premier: (1) the offer was not fair and reasonable to shareholders; and (2) the offer was in any event not consistent with his stated desire to limit the acquisition to Churchill Falls and the other water power rights.

Your directors have stated their views as follows:

- (a) that the offer should assure fair treatment of all Brinco shareholders;
- (b) that the form of the transaction should reflect the primary aim of the Province of obtaining Brinco's interest in the hydro-electric facilities and the water rights;
- (c) that your Company or any successor Company in which you may be shareholders should be financially viable and capable of conducting Brinco's broadening non-hydro operations and project and investment activities;
- (d) that the excellent organization and staff which have been developed should be maintained as a creative and productive force in Canada; and
- (e) that the interests of the bondholders of Churchill Falls be fully protected by the due completion and efficient operation of Churchill Falls.


Shortly before midnight on Monday, March 18, the Government revised its cash offer to \$7.07 per share, all other terms and conditions appearing substantially unchanged. The Premier imposed a deadline for acceptance by midnight on Wednesday, March 20. This offer will be placed before your Board on Wednesday morning.

We will keep you informed on further developments.

On behalf of the Board



R. D. Mulholland, Chairman



W. D. Mulholland, President







## LIMITED and WHOLLY OWNED SUBSIDIARIES

### Consolidated Financial Results

The consolidated net income for the six months ended June 30, 1973 was \$2,606,000, compared with a loss of \$118,000 for the same period in 1972. The continuing improvement largely reflects increased income of Churchill Falls (Labrador) Corporation Limited. These results include exploration expenditures charged to operations totalling \$409,000 during the first six months of 1973 compared with \$462,000 for the same period in 1972.

### Exploration

Seasonal exploration projects are underway in Eastern and Western Canada. Activity in the east is centred in Western Newfoundland where investigations of zinc mineralization are being undertaken. Brinex has also entered into an agreement with Lehigh Portland Cement Company for the examination of limestone deposits in the Port-au-Port area of Western Newfoundland.

Union Oil of Canada Ltd., in their joint venture with Brinex and Golden Eagle Canada Ltd., are shortly expected to commence drilling a 7,000 foot test well in the Codroy area of Western Newfoundland.

In British Columbia, work continues on our own account and with joint-venture partners on a variety of mineral properties.

The company will participate with Canadian Superior Exploration Ltd. and with Home Oil Company Ltd. in a new joint exploration venture in the Canadian Arctic.

### New Investment

It was announced this month that the company has reached an agreement in principle to purchase common shares and convertible secured debentures of Coseka Resources Limited for a total of \$7,000,000.

Coseka, with offices in Vancouver and Calgary, is engaged in the exploration for, and production of, petroleum products, with primary emphasis on natural gas in established areas of Western Canada.

Upon completion and execution of legal documentation, and satisfaction of certain legal conditions, Brinco will acquire 727,273 common shares of Coseka at \$2.75 per share for a total of \$2,000,000 and \$1,500,000 of 8 per cent secured three-year debentures convertible to common shares at \$2.75 per share for a term of three years.

Brinco will also acquire, within a six-month period commencing July 31, 1974, a further \$3,500,000 principal amount of 8 per cent secured five-year debentures convertible to common shares at \$3.00 per share for the first three years and thereafter at \$3.50 per share until maturity.

If Brinco converts all of its holdings of Coseka debentures, this will result in holdings of approximately 30 per cent of the outstanding shares of Coseka. In addition, Brinco will have a right of first refusal upon any additional financing by Coseka.

### Churchill Falls (Labrador) Corporation Limited Financial Results

Net income for the first six months of 1973 amounted to \$5,746,000 compared with \$629,000 for the

*(continued on back page)*



# LIMITED and WHOLLY OWNED SUBSIDIARIES

## Consolidated Statement of Income for the six months ended June 30

	<i>(Unaudited)</i> \$ Thousands	
	1973	1972
Revenue:		
Income from short-term investments . . .	219	167
Sales of copper concentrates . . . . .	—	1,733
Other sales . . . . .	—	16
Total revenue . . . . .	219	1,916
Expenses:		
Operating and administrative . . . . .	441	1,374
Depreciation and pre-production expenditures written off . . . . .	36	349
Exploration expenditures . . . . .	409	462
Total expenses . . . . .	886	2,185
Operating profit (loss) for the period . . . . .	(667)	(269)
Equity in net income of Churchill Falls (Labrador) Corporation Limited . . . . .	3,273	357
Net income for the period before extraordinary item . . . . .	2,606	88
Mine shutdown costs . . . . .	—	206
Net income (loss) for the period . . . . .	2,606	(118)
Earnings per share before extraordinary Item . . . . .	11.0¢	.4¢
Earnings (loss) per share for the period . . . . .	11.0¢	(.5¢)

## Consolidated Statement of Source and Use of Funds for the six months ended June 30

	<i>(Unaudited)</i> \$ Thousands	
	1973	1972
Source of funds:		
Disposal of land, buildings and equipment . . . . .	—	19
Issue of capital stock . . . . .	7,920	111
	7,920	130
Use of funds:		
Operating loss before equity in net income of Churchill Falls (Labrador) Corporation Limited . . .	667	269
Depreciation and pre-production expenditures written off . . . . .	(36)	(349)
Mine shutdown costs . . . . .	—	206
	631	126
Expenditures and investments on natural resources, rights, concessions and surveys . . . . .	826	187
Other . . . . .	11	—
	1,468	313
Increase (decrease) in Working Capital . .	6,452	(183)
Working Capital at beginning of period . .	3,811	6,245
Working Capital at end of period . . . . .	10,263	6,062

The accounts are presented on the basis whereby the consolidated financial statements of Brinco Limited include the accounts of all its subsidiaries, with the investment in Churchill Falls (Labrador) Corporation Limited included on an equity basis.

### Reclassifications:

Mine shutdown costs of \$206,000 which had been included with operating and administrative expenditures in 1972 have been reclassified as an extraordinary item. In addition, certain of the exploration expenditures which had been included with operating and administrative expenses have been reclassified to exploration expenditures in 1973.





**CHURCHILL FALLS**  
(LABRADOR) CORPORATION LIMITED

**AUG 14 1973**

Statement of Income  
for the six months  
ended June 30

(Unaudited)

\$ Thousands

	1973	1972
Revenue:		
Sales of power . . . . .	17,120	2,824
Rental of rights and facilities to Twin Falls Power Corporation Limited . . . . .	367	366
Total revenue . . . . .	17,487	3,190
Expenses:		
Plant and corporate costs . . . . .	1,573	428
Horsepower royalty . . . . .	449	127
Newfoundland rental . . . . .	662	80
Interest and amortization of debt discount and financing expenses . . . . .	5,447	1,040
Depreciation and amortization . . . . .	1,956	1,115
Total expenses . . . . .	10,087	2,790
Operating profit for the period . . . . .	7,400	400

Equity in net income of Twin Falls Power Corporation Limited . . . . .	307	338
Net income before income taxes . . . . .	7,707	738
Income taxes—deferred . . . . .	1,961	109
Net income for the period . . . . .	5,746	629

Statement of Source and  
Use of Funds for the six months  
ended June 30

(Unaudited)

\$ Thousands

	1973	1972
Source of funds:		
From current operations:		
Net income before equity in net income of Twin Falls Power Corporation Limited . . . . .	5,439	291
Deferred income taxes . . . . .	1,961	109
Depreciation and amortization . . . . .	1,991	1,115
	9,391	1,515
Dividends from Twin Falls Power Corporation Limited . . . . .	—	275
Increase in Long-term Debt:		
Bank loan . . . . .	9,000	—
First Mortgage Bonds Series A . . . . .	22,975	35,514
First Mortgage Bonds Series B . . . . .	7,100	6,050
	48,466	43,354

Use of funds:		
Development of Churchill Falls power project . . . . .	43,742	61,498
Debt discount and financing expenses . . . . .	234	367
	43,976	61,865
Increase (decrease) in working Capital . . . . .	4,490	(18,511)

The Company has available to it \$150 million under the terms of its bank credit agreement of which \$43 million is being used at June 30, 1973.

# AR30

same period for 1972. The improvement in net income is accounted for by an increase in the number of generating units in production. Five generating units were operational during the first half of 1973, and the sixth unit was commissioned on June 28, 1973. Commercial power sales were \$17,120,000 during the first half of 1973 compared with \$2,824,000 during the same period in 1972.

The stringing of the conductor for the third 735 kV transmission line was completed and the line was brought into service during June 1973. During the six months ended June 30, 1973, capital costs totalled \$43,742,000 including direct construction expenditures of \$27,711,000 and corporate and interest costs capitalized amounting to \$16,031,000. Total capital costs to date total \$759,984,000. Funds to service the capital expenditure program were derived from the proceeds of the sale of First Mortgage Bonds of \$30,000,000, additional bank borrowings of \$9,000,000 and \$9,000,000 from current operations. On July 19, the Company completed the final drawdown of the proceeds from the sale of \$550,000,000 of First Mortgage Bonds. Funds required to service the completion of the project will be derived mainly from operating cash flow.

Montreal, Quebec,  
July 30, 1973

On peut obtenir le texte français de ce rapport auprès du service des Relations publiques, Brinco Limited, Un, Westmount Square, Montréal 216 (Québec).

# Brinco LIMITED

ONE WESTMOUNT SQUARE, MONTREAL 216, QUEBEC, CANADA

## Report to Shareholders

For the six months ended  
June 30, 1973



**AR30**



ONE WESTMOUNT SQUARE, MONTREAL 216, QUEBEC, CANADA

# **Report to Shareholders**

**For the six months ended  
June 30, 1972**

On peut obtenir le texte français de ce rapport auprès du service des Relations publiques, Brinco Limited, Un, Westmount Square, Montréal 216 (Québec).

## Consolidated Financial Results

As forecast in an earlier report, the Whales Back Mine was closed on June 3, 1972 due to depleted ore reserves. Losses at Whales Back Mine for the first six months of 1972 were lower than for the corresponding period in 1971, as operating costs decreased with the cut back in operations. Earnings of Churchill Falls (Labrador) Corporation Limited increased, reflecting the commencement of commercial power deliveries on May 1, 1972. The combined effect of these two events was a reduction in the consolidated net loss for the six months ended June 30, 1972 to \$118,000 as compared to a net loss of \$646,000 for the same period in 1971.

Great efforts have been made to relocate people displaced by the mine closure through direct contact with other employers in the industry, Canada Manpower and the Newfoundland Department of Labour. To date, approximately one-half of the work force has found other employment and efforts to place the remainder are continuing. Plant and equipment at the mine are being rehabilitated and prepared for re-use or resale. The 30 houses owned by the company in Springdale have been sold to employees or local tenants.

## Exploration

In Labrador, drilling is continuing on the Seal Lake joint venture with Beth Canada Limited, a subsidiary of Bethlehem Steel Corporation, but results to date have been disappointing. Ground surveys on selected targets at Moran Lake and Saglek in Labrador, and in the Gander area on the Island of Newfoundland are being carried out this season. Exploration of Brinex' holdings in the Hall's Bay area and St. George's Bay continues under terms of agreements with our joint venture partners.

In western Canada, Brinex has staked or otherwise acquired more than 800 claims in the Robb Lake area of British Columbia where zinc min-

## Consolidated Statement of Income for the six months ended June 30

	(\$ Thousands)	
	1972	1971
Sales:		
Sales of copper concentrates .....	1,733	1,627
Other sales .....	16	14
	1,749	1,641
Operating and administrative expenses	1,837	1,864
Depreciation and preproduction expenditures written off .....	349	566
Exploration expenditures .....	205	249
	2,391	2,679
Operating profit (loss) for the period .....	(642)	(1,038)
Income from investments .....	167	249
	(475)	(789)
Equity in net income of unconsolidated subsidiary .....	357	143
Income (loss) before income taxes and extraordinary items .....	(118)	(646)
Provision for income taxes .....	—	11
Income (loss) before extraordinary items .....	(118)	(657)
Reduction in income taxes due to loss carry forward .....	—	11
Net income (loss) for the period .....	(118)	(646)

The accounts are presented on the basis whereby the consolidated owned subsidiaries British Newfoundland Exploration Limited ("BNE") in Churchill Falls (Labrador) Corporation Limited included on an e



## LY OWNED SUBSIDIARIES

### Consolidated Statement of Source and Application of Funds for the six months ended June 30

ed)

	\$ Thousands	
	<u>1972</u>	<u>1971</u>
Source of funds:		
From current operations:		
Net income(loss) before equity in net earnings of unconsolidated subsidiary .....	(475)	(789)
Depreciation and preproduction expenditures written off .....	349 (126)	566 (223)
Issue of capital stock .....	111 (15)	151 (72)
Application of funds:		
Expenditures on Lower Churchill River project .....	62	345
Expenditures on natural resources, rights and concessions .....	125	201
Land, buildings and equipment—net	(19) 168	58 604
Increase (decrease) in working capital	(183)	(676)
Working capital		
January 1 .....	6,245	8,063
June 30 .....	<u>6,062</u>	<u>7,387</u>

Financial statements of Brinco Limited include the accounts of its wholly-owned subsidiaries, Brinco (Canada) Limited and Gull Island Power Company Limited, with the investment on a consolidated basis.

eralization was discovered late last year. Field crews are carrying out a geochemical survey and geological mapping program there. Additionally, Brinex is participating with Newconex Canadian Exploration Ltd. in the investigation of a copper porphyry in northern British Columbia, and has entered into a joint venture agreement with Teck Corporation for exploration of gold targets in central British Columbia.

Brinex has entered into an agreement with Union Oil Company of Canada Limited wherein Union has committed itself to an exploration program on Brinex' onshore oil and gas rights in a block of lands adjoining St. George's Bay in southwestern Newfoundland. By the drilling of a test well to a specified depth, Union may earn an interest in the property. For a limited time Union will also have the right to undertake exploration and drilling programs on two additional blocks of land in southwestern and west central Newfoundland. The agreement gives Brinex the choice of opting for a working interest in the property or for royalty interests. Brinex will share such working or royalty interests with Golden Eagle Canada Limited, with whom Brinex has, in past years, conducted some oil and gas exploration in western Newfoundland.

### Other Activities

On July 14, 1972, an agreement was concluded between Brinco and Abitibi Asbestos Mining Company Limited, following approval by the latter's shareholders, whereby Brinco purchased 800,000 treasury shares representing an 18 per cent interest in Abitibi. The proceeds will be used largely for construction and operation of a pilot plant on the property, for additional work to confirm ore reserves and grade, for mine planning and for marketing studies. Brinco has the right to acquire a 51 per cent interest in Abitibi upon making a decision to bring the property into production.

### **Churchill Falls (Labrador) Corporation Limited**

The Churchill Falls project is 86 per cent complete, with \$690.8 million having been expended on the project to June 30, 1972 including direct construction costs of \$549.8 million. For the six months ended June 30, 1972 capital expenditures have amounted to \$65.6 million. These funds have been provided for the most part from draw-downs of proceeds from the sale of First Mortgage Bonds amounting to \$41.5 million, and borrowings of \$17.0 million under the terms of the Bank Loan Agreement.

On May 1, 1972 Churchill Falls commenced delivery of commercial power under the power contract with Hydro-Québec and a total of 816,000 megawatt hours was delivered to Hydro-Québec during the months of May and June, 1972, with power sales of approximately \$13 million forecast for the year 1972. Net income for the six-month period amounted to \$629,000, including \$338,000 from Churchill Falls' share in the net income of Twin Falls Power Corporation Limited.

The second 735 kV transmission line has been put in service, and the two 230 kV lines from Churchill Falls to Twin Falls have been tested and are ready for service. Commissioning certificates were issued for the third turbine and generator unit during June and for the fourth unit during July, 1972.

All contracts have been awarded for the 1972 townsite housing extension program which will provide an additional 45 houses. In May, 1972, work was completed on the clearing of trees in the forebay area.

The Town Centre, heart of the permanent community at Churchill Falls, has been named "The Donald Gordon Centre" in memory of Donald Gordon, C.C., C.M.G., president of Brinco Limited and chairman of Churchill Falls (Labrador)

Corporation Limited from 1967 until his death in 1969.

The inauguration ceremony of the Churchill Falls development was held at Churchill Falls, Labrador on June 16, 1972. Prime Minister Trudeau, Premier Moores, Prime Minister Bourassa and many other leaders from public and private life joined with the residents of Churchill Falls and the men and women associated with the project in celebrating the event.

Montreal, Quebec, Canada,  
July 27, 1972.



**AR30**

JUN 11 1974

TO ALL SHAREHOLDERS:

June 5, 1974

Accompanying this letter is a Notice of the Annual and Extraordinary General Meeting to be held at Montreal on June 27, 1974, and the Information Circular relating to the various matters to be considered at the Meeting. In addition to the matters customarily considered each year, shareholders will vote on a proposal to approve the agreements entered into between Brinco and the Government of Newfoundland ("Government") and Brinco and the Newfoundland Industrial Development Corporation ("NIDC"). Under such agreements, Brinco's ownership interest in Churchill Falls (Labrador) Corporation Limited and its other rights to water power sites in Labrador (the "hydro assets") will be conveyed to the Government and NIDC for a price of \$160 million in cash. This sale will significantly alter the emphasis in your Company's activities.

These agreements were entered into following extended negotiations against the background of the possible expropriation by the Newfoundland Government of all of the shares of Brinco. However, under the agreements as finally negotiated, the Government and NIDC will purchase only the "hydro assets" and Brinco will retain its other assets and staff. After the most careful consideration, your Board is satisfied that the price and other terms are fair and reasonable to Brinco and its shareholders. In arriving at this conclusion the Board had for its consideration the report of Brinco's financial advisors, Morgan Stanley Canada Limited and Wood Gundy Limited. The Directors recommend that you vote in favour of this proposal.

N. M. Rothschild & Sons Limited, in its capacity as one of the signatories to the Principal Agreement under which Brinco obtained its water rights in 1953, has advised the Company that it concurs with the recommendation of the Directors in favor of the proposal.

The Rio Tinto-Zinc Corporation Limited, Bethlehem Steel Corporation and Marubeni Corporation, each of which is represented on the Board of Directors of Brinco, have indicated that they intend to vote shares beneficially owned or controlled by them in favor of the proposal. Such shareholdings aggregate 13,120,031 shares or approximately 53% of the total shares outstanding.

You will recall that the Government's initial intention, as publicly announced, was directed towards acquisition of Brinco itself. The final offer of the Government for acquisition of Brinco shares was \$7.07 per share. The Board of Directors considered this offer very carefully and in so doing sought and received the advice of the Company's financial advisors. The Directors concluded that they could not recommend this offer to the shareholders and so advised the Government. The Directors continue to be of the same opinion.

As you were advised previously, the Government has agreed to enact legislation enabling Brinco to purchase its own shares and, within 90 days of the receipt of the proceeds of sale of the "hydro assets" and the enactment of such legislation, Brinco will make an offer to all shareholders to purchase Brinco shares at \$7.07 per share in cash. Shares purchased pursuant to this offer will be held in the treasury of the Company and will not be cancelled. The Board of Directors in putting forward this offer are not recommending its acceptance but wish to give each shareholder an opportunity to exercise his own judgment in the light of his personal circumstances. The shareholders mentioned above, namely, The Rio Tinto-Zinc Corporation Limited, Bethlehem Steel Corporation and Marubeni Corporation, have advised Brinco that they intend to continue as shareholders and that none of the Brinco shares owned or controlled by them will be tendered. Accordingly, Brinco is assured of substantial cash funds regardless of the outcome of the offer to shareholders.

Based upon the 24,506,986 shares of Brinco outstanding at March 31, 1974, the purchase price for the "hydro assets" (\$160,000,000) amounts to \$6.53 per Brinco share. Subtracting this amount from \$7.07 leaves only \$.54 per share attributable to the assets of Brinco other than the "hydro assets", or approximately their book value (\$13,200,000 in the aggregate) as of March 31, 1974. The Directors do not consider that \$.54 per share represents a fair and reasonable value for the other assets of Brinco. These assets are carried on the books at "cost less amounts written off". It is the policy of the Company to write off all exploration expenditures as they are incurred. A number of properties, such as the Port-au-Port limestone deposits and the Kitts-Michelin uranium deposits are carried on the books at no value. "Book value" also takes no account of Brinco's organization, personnel, and going concern value.

It should be pointed out that if the opinion of the Directors is correct, then the greater the number of shares surrendered for cash at \$7.07 per share, the greater the intrinsic value accruing to each of the remaining shares.

You have every reason to be proud, as we are, of the outstanding record of planning, engineering, financing and construction of the Churchill Falls project by the highly talented group of men and women assembled by Brinco. With this record of achievement, we can look forward with confidence to the success of other activities, some of which are referred to in the enclosed Annual Report.

Very truly yours,

A handwritten signature in dark ink, appearing to read "R. D. Mulholland", with a stylized, flowing script.

R. D. Mulholland, Chairman

A handwritten signature in dark ink, appearing to read "W. D. Mulholland", with a stylized, flowing script.

W. D. Mulholland, President



**NOTICE**  
**of Annual and Extraordinary**  
**General Meeting**

NOTICE is hereby given that the Annual and Extraordinary General Meeting of Brinco Limited (the "Company") will be held in the Ballroom, Le Château Champlain, Place du Canada, Montreal, Quebec, at 10:30 a.m. (Eastern Daylight Saving Time), on Thursday, June 27, 1974 for the following purposes:

1. To consider the Company's accounts and balance sheet and the reports of the directors and auditors for the year ended December 31, 1973, and if thought fit, pass as an Ordinary Resolution, Resolution No. 1 entitled "Accounts and Reports".
2. To elect directors.
3. To appoint auditors and authorize the directors to fix their remuneration.
4. To consider, and if thought fit, pass as an Ordinary Resolution, Resolution No. 2 entitled "Sale of Assets".
5. To consider, if Resolution No. 2 is passed, and if thought fit, pass as a Special Resolution, Resolution No. 3 entitled "Purchase of Common Shares".
6. To consider, if Resolutions No. 2 and No. 3 are passed, and if thought fit, pass as an Ordinary Resolution, Resolution No. 4 entitled "Offer to Purchase Common Shares at \$7.07 per Share".
7. To consider, and if thought fit, pass as a Special Resolution, Resolution No. 5 entitled "Amendment of Objects".
8. To transact such other business of the Company as may properly come before the Meeting.

The Resolutions referred to above are set forth on pages 7 and 8 of the Information Circular.

Any Shareholder who is unable to attend the Meeting in person is entitled to be represented by a proxy and is requested, after referring to the pertinent sections of the Information Circular, to sign, date and return the enclosed form of proxy to The Royal Trust Company, P.O. Box 1810, Station "B", Montreal, Quebec H3B 3L5, not less than forty-eight hours before the time fixed for the Meeting. A proxy need not be a Shareholder of the Company.

Dated this 5th day of June, 1974.

By Order of the Board

M. C. BURNES

*Secretary*

Enclosed herewith:  
Information Circular  
Form of Proxy  
Addressed envelope

*Pour obtenir le texte français de l'avis de convocation et de la circulaire d'information veuillez faire application au Secrétaire de la Compagnie.*





## INFORMATION CIRCULAR

This Information Circular is furnished in connection with the solicitation by the management of Brinco Limited (hereinafter sometimes called the "Company") of proxies to be voted at the Annual and Extraordinary General Meeting of the Company (the "Meeting"), to be held on the date and for the purposes set forth in the accompanying Notice of the Meeting. The information contained herein is given as of the 5th day of June, 1974.

### Solicitation of Proxies

**In addition to the present solicitation by management, proxies may also be solicited on behalf of management by directors, officers and regular employees of the Company, by mail, by telegram or by telephone. The cost of solicitation, which is expected to be nominal, will be borne by the Company.**

### Election of Directors

The shares represented by the proxies hereby solicited will be voted for the election of each of the proposed nominees listed below (or for substitute nominees in the event of contingencies not known at the date hereof). Each such nominee who is elected a director shall hold office until his retirement at the close or adjournment of the next following Annual General Meeting, unless his office is vacated earlier, as provided in the Articles of Association of the Company. The Company's Articles of Association state that at every Annual General Meeting all of the directors for the time being shall retire from office and that any retiring director or any person shall be eligible for re-election, election or appointment as a director provided that he has not attained the age of seventy (70).

### PROPOSED NOMINEES FOR ELECTION

The following directors who will retire at the close or adjournment of this Annual and Extraordinary General Meeting, will be eligible for re-election at the Meeting:—

<i>Name and Offices held with the Company</i>	<i>Period of Service as a Director (From)</i>	<i>Common Shares of the Company beneficially owned, directly or indirectly</i>
The Hon. Maurice Bourget, P.C.	July 1963	850
Bernard D. Broeker	April 1969	1,000
E. Jacques Courtois, Q.C.	April 1973	500
Paul G. Desmarais	April 1969	5,000
Sir Val Duncan, O.B.E.* (Chairman of Executive Committee)	April 1953 to July 1963; and from October 1963	7,020
G. Peter Fleck	October 1963	None
Lewis W. Foy	April 1969	1,000
Jean-Paul Gignac, Eng.	January 1970	100
Dominique de Grièges, C.B.E.	April 1973	None
Sam Harris*	July 1963	10,000
Hiro Hiyama	April 1973	None
J. H. Mowbray Jones, D.Eng.	December 1962	1,000
Harry W. Macdonell, Q.C.* (Executive Vice-President)	April 1971	50,100
Ralph B. McKibbin*	June 1972	3,500
Robert D. Mulholland* (Chairman)	May 1970	100

\*Member of the Executive Committee of the Board of Directors.

<i>Name and Offices held with the Company</i>	<i>Period of Service as a Director (From)</i>	<i>Common Shares of the Company beneficially owned, directly or indirectly</i>
William D. Mulholland* <i>(President &amp; Chief Executive Officer and Deputy Chairman of Executive Committee)</i>	May 1969	100,800
Gordon F. Pushie	December 1963	None
Edmund L. de Rothschild, T.D.	June 1954	29,902
Sir Mark Turner*	April 1969	None

\*Member of the Executive Committee of the Board of Directors.

## **PRINCIPAL OCCUPATION OF PROPOSED NOMINEES FOR ELECTION**

Set out below is the principal occupation or employment of each person proposed to be nominated for election as a director:

The Hon. Maurice Bourget, Member of the Senate of Canada.

Bernard D. Broeker, until May 31, 1974 Executive Vice-President of Bethlehem Steel Corporation, manufacturer of steel and steel products with Headquarters in Bethlehem, Pa., U.S.A. Mr. Broeker has since retired from that office pursuant to the retirement policy of that corporation.

E. Jacques Courtois, a partner of Messrs. Laing, Weldon, Courtois, Clarkson, Parsons, Gonthier & Tétrault, advocates, barristers and solicitors.

Paul G. Desmarais, Chairman and Chief Executive Officer of Power Corporation of Canada, Limited, an investment and management company.

Sir Val (John Norman Valette) Duncan, Chairman and Chief Executive of The Rio Tinto-Zinc Corporation Limited, an international mining and industrial corporation, of London, England.

G. Peter Fleck, Chairman of New Court Securities Corporation, an investment banking company, of New York, U.S.A.

Lewis W. Foy, President of Bethlehem Steel Corporation.

Jean-Paul Gignac, President and Chief Executive Officer of Sidbec-Dosco, manufacturer of steel and steel products.

Dominique de Grièges, Chairman and General Manager of Suez International, an investment and holding company, of Paris, France.

Sam Harris, a senior partner of Fried, Frank, Harris, Shriver and Jacobson, attorneys-at-law, of New York, U.S.A.

Hiro Hiyama, President of Marubeni Corporation, a trading company, of Tokyo, Japan.

John Hugh Mowbray Jones, retired industrialist.

Harry W. Macdonell, Executive Vice-President of the Company and President of Churchill Falls (Labrador) Corporation Limited.

Ralph B. McKibbin, Chairman of the Board of Morgan Stanley Canada Limited, investment bankers.

Robert D. Mulholland, Vice-Chairman of the Board, Bank of Montreal.

William D. Mulholland, President and Chief Executive Officer of the Company and Chairman and Chief Executive Officer of Churchill Falls (Labrador) Corporation Limited.

Gordon Frizzell Pushie, Industrial Consultant.

Edmund Leopold de Rothschild, Chairman of N. M. Rothschild & Sons Limited, Merchant Bankers, of London, England.

Sir Mark Turner, Deputy Chairman of The Rio Tinto-Zinc Corporation Limited.

## **Appointment of Auditors**

It is intended that the shares represented by the proxies hereby solicited will be voted for the reappointment of Peat, Marwick, Mitchell & Co., 1155 Dorchester Blvd. West, Montreal, Quebec, as auditors of the Company to hold office until the next Annual General Meeting of the Company and to authorize the directors to fix their remuneration.

## **PARTICULARS OF SPECIAL MATTERS TO BE ACTED UPON**

### **Sale of Assets**

Pursuant to an agreement ("Master Agreement") dated June 4, 1974 between the Newfoundland Government and the Company, the Company has agreed, subject to the approval of its Shareholders, to sell (a) to the Newfoundland Government all water rights in Labrador owned by the Company and all plans, estimates, maps and other documentation and information relating thereto, and (b) to Newfoundland Industrial Development Corporation ("NIDC"), a Newfoundland Crown corporation, all the shares of Churchill Falls (Labrador) Corporation Limited ("CFLCo") owned by the Company and all the outstanding shares of Gull Island Power Company Limited on the terms and subject to the conditions contained in the Share Purchase Agreement executed between the Company and NIDC concurrently with the Master Agreement, the whole for an aggregate purchase price of \$160 million to be paid in cash at closing, which is to take place immediately following the Meeting. The Share Purchase Agreement contains representations and warranties by the Company in favour of NIDC which survive for two years after closing and which relate principally to the financial position, assets and business of and principal contracts affecting CFLCo and its subsidiary, Twin Falls Power Corporation Limited. The Share Purchase Agreement also contains provisions relating to personnel and the allocation of administrative facilities. The obligations of the Newfoundland Government and NIDC to purchase are subject to ratification by the Legislature of the Province of Newfoundland prior to closing.

Resolution No. 2\* to approve the sale will be submitted at the Meeting for consideration of the Shareholders.

Reference is made to the accompanying Annual Report to Shareholders for 1973 and to the pro-forma balance sheet of the Company as at March 31, 1974 included herewith, which set forth a description of the Company's business and the financial position of the Company after giving effect to the foregoing sale. It is estimated that this sale will result in an extraordinary gain to the Company of approximately \$87 million, and in the opinion of the Company and its advisors no income taxes should be payable on the sale.

Copies of the Master Agreement and Share Purchase Agreement may be examined during business hours at the office of the Secretary of the Company, One Westmount Square, Westmount, Quebec, and at the office of the Corporate Trust Department of The Royal Trust Company at the following locations:

Royal Trust Building, 139 Water Street, St. John's, Newfoundland;  
630 Dorchester Boulevard West, Montreal, Quebec;  
Royal Trust Tower, Toronto-Dominion Centre, Toronto, Ontario;  
Royal Trust Tower, Vancouver, British Columbia

### **Offer to Purchase Common Shares**

As part of the Master Agreement the Newfoundland Government has undertaken to introduce and use its best efforts to have enacted prior to closing legislation which would permit the Company to offer to purchase from its Shareholders the issued and outstanding Common Shares of the Company for a purchase price per share of \$7.07 and to purchase any shares tendered in acceptance of such offer. If Resolution No. 2 is passed by the Shareholders, there will be submitted at the Meeting for consideration of the Shareholders Resolution No. 3 amending the Articles of Association of the Company to authorize this purchase by the Company, and if Resolution No. 3 is passed, Resolution No. 4 authorizing the Company to make such offer at a price of \$7.07 per share. The Company will make an offer to its Shareholders in accordance with such legislation within 90 days after the later of closing and the date on which such legislation is enacted.

\*The Resolutions to be acted upon at the Meeting are set forth on pages 7 and 8 of this Information Circular.



The Company proposes to make elections under the Income Tax Act (Canada) and the Taxation Act (Quebec) so that, in the opinion of the Company's tax advisors, the full amount of the offering price of \$7.07 per share will in effect constitute under such statutes proceeds of disposition to each Canadian Shareholder of the shares tendered in acceptance of the offer and no portion thereof will be treated as a taxable dividend.

### **Undertaking of Principal Shareholders**

The Rio Tinto-Zinc Corporation Limited, Bethlehem Steel Corporation and Marubeni Corporation have advised the Company that they will cause the shares beneficially owned or controlled by them in the Company, which amount to approximately 53% of the outstanding shares, to be voted for the approval of the sale and that they will not accept the Company's offer to purchase their Common Shares and will continue as Shareholders.

### **Amendment of Objects**

As the Company's activities extend throughout Canada and elsewhere, it is desirable to replace the principal objects of the Company with objects of a wider nature. Resolution No. 5 to extend the objects of the Company will be submitted at the Meeting for consideration of the Shareholders.

### **Voting Shares and Principal Holders Thereof**

As at the date hereof, there are outstanding 24,506,986 Common Shares of the Company without nominal or par value, being the only class of shares of the Company issued and entitled to be voted at the Meeting.

To the knowledge of the directors and senior officers of the Company, the only person or company at the date hereof, which beneficially owns (within the meaning of The Securities Act (Ontario)), directly or indirectly, more than 10% of the Common Shares of the Company is The Rio Tinto-Zinc Corporation Limited ("RTZ"), 6 St. James's Square, London, England, which itself owns 100 Common Shares and which beneficially owns 11,212,164 Common Shares through its subsidiary, Tinto Holdings Canada Limited ("Tinto Holdings"), Suite 3209, Toronto-Dominion Centre, Toronto, Ontario and Tinto Holdings' subsidiary, Thornwood Investments Limited ("Thornwood"), Suite 1101, Royal Trust Building, St. John's, Newfoundland. RTZ thus owns beneficially an aggregate of 11,212,264 Common Shares or approximately 46% of the outstanding Common Shares of the Company. Interocean Shipping Company, c/o The International Trust Company of Liberia, 80 Broad Street, Monrovia, Liberia (a subsidiary of Bethlehem Steel Corporation, Bethlehem, Pa., U.S.A.), itself owns 907,767 Common Shares or approximately 4% of the outstanding Common Shares of the Company and is a minority shareholder in Thornwood.

Upon a vote by show of hands every Shareholder present in person and every proxy who is not a Shareholder and who represents a Shareholder entitled to vote, shall have one vote only. Upon a poll, which may be demanded by the chairman of the Meeting or by Shareholders representing not less than 5% of the shares represented at the Meeting in person or by proxy and entitled to vote, each such Shareholder shall have one vote for each Common Share of the Company registered in his name. A Shareholder may appoint another person, who need not be a Shareholder of the Company, as his proxy to attend and vote in his place and stead; where a corporation, being a Shareholder entitled to vote, is present by proxy, or by a person duly appointed who is not a Shareholder, such proxy or person shall, in addition to voting on a poll, be entitled to vote for such corporation on a show of hands.

Upon a poll the passing of an ordinary resolution requires the approval of a majority of the Common Shares of the Company represented at the meeting either in person or by proxy. The passing of a special resolution requires the approval of at least 75% of the votes cast.

The instrument appointing a proxy shall be in writing under the hand of the Shareholder, or of his attorney duly authorized in writing or, if the Shareholder be a corporation, either under its seal or under the hand of an officer or its attorney so authorized.

The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, to be effective, must be returned to The Royal Trust Company, P.O. Box 1810, Station "B" Montreal, Quebec H3B 3L5 not less than forty-eight hours before the time appointed for holding the Meeting or adjourned Meeting at which the person named in the instrument proposes to vote. The instrument appointing a proxy shall be valid only for the Meeting for which it is given or any adjournment thereof.

### **Voting of Shares Represented by Management Proxy**

The accompanying form of proxy confers discretionary voting authority upon the persons designated therein. The shares represented by any valid Instrument of Proxy on the said form and appointing the persons named therein to represent the Shareholder at the Meeting will be voted in accordance with the directions of the Shareholder as specified in the Instrument of Proxy in respect of each resolution referred to in the Notice of Meeting. In the absence of such directions, the shares represented by such Instrument of Proxy will be voted in favour of each such resolution.

Management is not aware of any matters other than those identified in the Notice of Meeting that may come before the Meeting. If, however, other matters properly come before the Meeting, or there are any amendments or variations to matters identified in the Notice of Meeting, the persons designated in the accompanying form of proxy will vote thereon in accordance with their best judgement pursuant to the discretionary authority conferred by the Instrument of Proxy with regard to such matters.

### **Designation of Persons Other Than Those Named in the Management Proxy**

Each Shareholder has the right to designate as his proxy a person other than those designated in the accompanying form of proxy to attend and vote for such Shareholder at the Meeting. Any Shareholder desiring to exercise such right may do so by striking out the names of the persons designated in the accompanying form of proxy and inserting, in the space provided, the name of the person he wishes to designate as his proxy, or he may do so by executing an instrument appointing a proxy in a form similar to the accompanying form of proxy.

### **Revocability of Proxy**

A Shareholder giving a proxy has power to revoke it at any time before it has been exercised, provided notice in writing of such revocation shall have been received by the Company at its registered office, Suite 4000, Viking Building, Wishingwell Road, St. John's, Newfoundland A1B 3K3, at least forty-eight hours before the commencement of the Meeting or adjourned Meeting at which the Instrument of Proxy is to be used.

### **Remuneration of Management and Others**

The aggregate direct remuneration including salaries, bonuses and retirement allowances paid or agreed to be paid to directors and senior officers of the Company during the year ended December 31, 1973 by the Company and its consolidated subsidiaries, was \$255,629 and by its unconsolidated subsidiaries, was \$156,252. In addition, certain senior officers of the Company whose services were provided pursuant to an agreement with Rio Tinto North American Services Limited have received remuneration directly from that company.

The estimated aggregate cost to the Company and its subsidiaries in the year ended December 31, 1973 of all pension benefits proposed to be paid under any normal pension plan directly or indirectly, by the Company and its subsidiaries to directors and senior officers of the Company in the event of their retirement at normal retirement age, was \$15,998.

On April 12, 1973 the Company granted to a senior officer, pursuant to the terms of the Stock Option Plan of May 6, 1970, an option to purchase on or before April 12, 1978, 7,500 Common Shares of the Company at a price of \$5.18 per share. The price range of the shares during the thirty-day period prior to the date on which the option was granted was from \$6 to \$5<sup>3</sup>/<sub>4</sub>.

Since January 1, 1973, senior officers exercised options to purchase 198,136 Common Shares of the Company as follows:

Date of Purchase	Number of Shares Purchased	Price	Price Range of Shares During 30-day Period Prior to Date of Purchase	
			<i>High</i>	<i>Low</i>
February 16, 1973	3,500	\$4.73	\$6	\$5 <sup>1</sup> / <sub>2</sub>
March 21, 1973	15,000	\$3.70	\$6 <sup>1</sup> / <sub>8</sub>	\$5 <sup>3</sup> / <sub>4</sub>
May 10, 1973	3,000	\$3.70	\$6	\$5 <sup>1</sup> / <sub>4</sub>
May 14, 1973	3,334	\$3.70	\$5 <sup>7</sup> / <sub>8</sub>	\$5 <sup>1</sup> / <sub>4</sub>
	3,334	\$4.62	\$5 <sup>7</sup> / <sub>8</sub>	\$5 <sup>1</sup> / <sub>4</sub>
August 21, 1973	3,000	\$3.70	\$6	\$5
	3,000	\$4.62	\$6	\$5
November 1, 1973	1,000	\$3.70	\$5 <sup>3</sup> / <sub>4</sub>	\$5
December 19, 1973	15,000	\$3.70	\$5 <sup>1</sup> / <sub>2</sub>	\$5
March 20, 1974*	71,500	\$3.70	\$5 <sup>1</sup> / <sub>4</sub>	\$4.70
	40,000	\$4.17	\$5 <sup>1</sup> / <sub>4</sub>	\$4.70
	11,000	\$4.62	\$5 <sup>1</sup> / <sub>4</sub>	\$4.70
	3,334	\$5.07	\$5 <sup>1</sup> / <sub>4</sub>	\$4.70
	5,000	\$5.18	\$5 <sup>1</sup> / <sub>4</sub>	\$4.70
	3,334	\$5.63	\$5 <sup>1</sup> / <sub>4</sub>	\$4.70
March 22, 1974*	13,800	\$3.70	\$5 <sup>1</sup> / <sub>4</sub>	\$4.70

\*Trading suspended March 11, 1974 to March 31, 1974.



## **RESOLUTIONS**

### **To be proposed as Ordinary Resolutions, except for Resolutions No. 3 and No. 5, which are to be proposed as Special Resolutions**

#### **Resolution No. 1 — "Accounts and Reports"**

##### **RESOLVED**

THAT the Company's accounts and balance sheet and the reports of the directors and auditors for the year ended December 31, 1973 are hereby adopted.

#### **Resolution No. 2 — "Sale of Assets"**

##### **RESOLVED**

THAT (a) the sale by the Company to Newfoundland Industrial Development Corporation ("NIDC") of all the shares of Churchill Falls (Labrador) Corporation Limited owned by the Company and all the outstanding shares of Gull Island Power Company Limited and (b) the sale or surrender by the Company to the Government of the Province of Newfoundland ("Government") of all water power rights in Labrador owned by the Company and all plans, estimates, maps and other documentation and information relating thereto, the whole for an aggregate purchase price of \$160 million cash and on the terms and subject to the conditions contained in the agreements dated June 4, 1974 between the Company and NIDC and the Company and the Government, are hereby approved.

#### **Resolution No. 3 — "Purchase of Common Shares"**

##### **RESOLVED**

THAT, subject to the enactment of enabling legislation of the Province of Newfoundland, the Articles of Association of the Company are hereby amended by adding thereto as Article 13A the following:

"13A. The Company may purchase all or any of its Common Shares out of capital or otherwise at a price of \$7.07 per share pursuant to an offer or offers to be made by the Company on such terms and conditions as the Board may determine to each person, firm or company whose name appears on the Register as a holder of its Common Shares as of a record date to be fixed by the Board and sent to the address of such person, firm or company as it appears in the Register. The purchase by the Company of any of its Common Shares pursuant to and in accordance with this Article shall be deemed not to constitute a reduction of the authorized or issued share capital of the Company and the provisions of Part III of the Act shall not apply to any such purchase and any shares so purchased shall not be cancelled but may be resold from time to time by the Company at such prices and on such terms and conditions as the Board may determine."

#### **Resolution No. 4 — "Offer to Purchase Common Shares at \$7.07 per Share"**

##### **RESOLVED**

THAT the Company make an offer to all the holders of its Common Shares to purchase, at a price of \$7.07 per share, all shares tendered by such holders in acceptance thereof, such offer to be mailed within the delays prescribed in the agreement dated June 4, 1974 between the Company and the Government of the Province of Newfoundland and to have such other terms and conditions and to be in such form as the Board shall determine;

AND THAT, in respect of each share so purchased, such purchase be made (i) as to an amount equal to the quotient obtained by dividing the aggregate amount of paid-up capital of the Company at the time of purchase by the number of Common Shares then outstanding, out of paid-up capital, and (ii) as to the balance of the purchase price thereof, out of retained earnings.

Resolution No. 5 — "Amendment of Objects"

RESOLVED

THAT the Memorandum of Association of the Company is hereby amended by deleting subsections (1), (2) and (3) of section 3 and substituting therefor the following:

- "(1) To explore, investigate, develop and process minerals, natural resources and sources of energy and in particular but without limiting the generality of the foregoing, to prospect, examine, report on, obtain options on, acquire, own, possess, control, build, promote, carry on, manage, operate, improve, turn to account, lease, exchange, sell or otherwise dispose of mining, petroleum, timber, energy and other industries utilizing such minerals, natural resources and sources of energy.
- (2) And without limiting the generality of the foregoing:
- (a) To purchase, take on lease or otherwise acquire, exchange, sell or otherwise dispose of petroleum, natural gas and other hydrocarbons, mines, minerals, quarries, mining rights, mining lands or any interests therein, mechanical contrivances, patent rights or inventions or the rights to make use thereof, lands and privileges, including coal, oil and gas lands, and any interest therein, mills, smelters, refineries, facilities, plants and relative to the aforesaid, manufacturing, refining, producing, processing, generating, commercial, industrial, mercantile and scientific enterprises, establishments, plants and works of all sorts; to treat and manufacture the products of any or all natural resources and energy sources into merchantable form, articles and things; and to buy, sell and otherwise deal in the products and by-products of all such business;
  - (b) To carry on all operations by which minerals, natural resources and sources of energy may be mined, dug, raised, washed, cradled, smelted, refined, processed, enriched, crushed or treated in any manner; render such minerals, natural resources, sources of energy or any product thereof merchantable by any means whatsoever; and sell or otherwise dispose thereof;
  - (c) To examine, report upon, acquire by purchase, lease, concession, grant, exchange or otherwise and hold, manage, control, develop, improve, operate, lease, sell and dispose of, rights relating to sources of energy, energy power, privileges and appropriations for mining, milling, smelting and refining purposes and for irrigation, agricultural, manufacturing and other uses and purposes; and to construct, acquire, own, manage, operate, improve and dispose of plants for utilizing and turning to account said rights relating to sources of energy and energy power, and for producing, generating, and distributing electrical and other power and steam electricity and gas for heating, lighting and other purposes, provided, however, that the production or distribution of electrical or other power or force beyond the property of the Company shall be subject to local and municipal and provincial laws and regulations in that connection;
  - (d) To carry on the business of generating and transmitting and selling hydro-electric and other power or energy for light, heat, power and other purposes and to carry on any business in connection with the harnessing and making use of water for the purpose of hydro-electric and hydraulic power;
  - (e) To make, construct, purchase, take on lease or otherwise acquire or deal with roads, railways, and tramways and bridges, reservoirs, canals, water works, electric works, gas works and any other works conducive to the interests of the Company.
- (3) To carry on any other business or activity and do anything of any nature which may seem to the Company capable of being conveniently carried on by the Company, or calculated directly or indirectly to enhance the value of or render more profitable any of the Company's business or property."

Dated as of the 5th day of June, 1974.

By Order of the Board

M. C. BURNES

Secretary

**BRINCO LIMITED**  
**Consolidated Balance Sheets**  
**and Pro-Forma Balance Sheet**



**BRINCO LIMITED**  
Consolidated Balance Sheets and  
Pro-Forma Balance Sheet

	<u>December 31, 1973</u>	<u>March 31, 1974</u>	
	Audited, as presented in annual report	(Unaudited) <u>Actual</u>	<u>Pro-forma</u> (note 2)
	(Expressed in thousands of dollars)		
<b>Assets</b>			
Current assets:			
Cash and short-term deposits .....	5,555	5,455	164,455
Accounts receivable .....	245	295	295
Supplies and prepaid expenses .....	27	97	97
	<u>5,827</u>	<u>5,847</u>	<u>164,847</u>
Investment in Churchill Falls (Labrador) Corporation Limited, at equity .....	60,867	63,467	—
Other investments, at cost:			
Abitibi Asbestos Mining Company Limited .	3,237	3,430	3,430
Coseka Resources Limited .....	3,606	3,606	3,606
Other .....	215	216	216
Fixed assets, at cost less accumulated depreciation .....	45	36	36
Expenditures on Lower Churchill River project .	3,356	3,377	—
Expenditures on other projects less amounts written off .....	1,370	1,431	1,431
Organization and financing expenses .....	2,435	2,435	—
	<u>\$ 80,958</u>	<u>\$83,845</u>	<u>\$173,566</u>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Accounts payable and accruals .....	879	659	659
Shareholders' equity:			
Capital stock* .....	74,645	75,476	75,476
Retained earnings .....	5,434	7,710	97,431
	<u>\$80,958</u>	<u>\$83,845</u>	<u>\$173,566</u>
 * Number of Common Shares outstanding:			
December 31, 1973	24,306,811 shares		
March 31, 1974	24,506,986 shares		
 Book value per Common Share	\$3.29	\$3.39	\$7.06

## Notes

1. The consolidated balance sheets include the accounts of British Newfoundland Exploration Limited, Brinco (Quebec) Limited, Gull Island Power Company Limited, all wholly owned, 80% owned Fernie Coal Mines Limited and 60% owned Iskut Pulpower Ltd. The investment in Churchill Falls (Labrador) Corporation Limited is carried on an equity basis.
2. The pro-forma consolidated balance sheet as at March 31, 1974 gives effect as at that date to the following:
  - (i) The proposed sale of the Company's shareholding in Churchill Falls (Labrador) Corporation Limited and its other Labrador water power rights and information and studies related thereto for \$160,000,000 cash.
  - (ii) Estimated expenses of \$1,000,000 relating to negotiations for the sale of the assets referred to in (i) above.
  - (iii) The write-off of organization and financing expenses which were incurred mainly in connection with the raising of capital for investment in Churchill Falls (Labrador) Corporation Limited.

The agreements to be approved by Shareholders whereby the Company will sell the assets referred to in (i) above will provide that after the closing of the sale, the Company will make an offer to its Shareholders of \$7.07 per share. Each Shareholder will accordingly have the choice of remaining a shareholder in the Company or receiving cash in payment for his shares. No redemption of Common Shares has been reflected in the pro-forma balance sheet as at March 31, 1974 since it is not possible to estimate the number of shares which may be tendered in response to the offer of \$7.07 cash per share. Shareholders owning beneficially or controlling 13,120,031 shares have agreed not to tender their shares.

The Company proposes to record as income up until the effective closing date of the sale referred to in (i) above, its equity in the net earnings of Churchill Falls (Labrador) Corporation Limited. In view of the fact that the proceeds of sale are fixed at \$160,000,000, this will have the effect of reducing the extraordinary gain on the sale ultimately reported in the Company's accounts compared with the gain reflected in the accompanying pro-forma balance sheet. Based on an assumed closing date of June 30, 1974 and on estimates of the Company's proposed expenditures on the Lower Churchill River Project of \$10,000 and of its equity in net earnings of Churchill Falls (Labrador) Corporation Limited for the three months ended on that date of \$2,475,000, the extraordinary gain reflected in the pro-forma balance sheet and the estimated ultimate extraordinary gain are compared as follows:

	Extraordinary gain reflected in pro-forma balance sheet	Estimated ultimate extraordinary gain
(Expressed in thousands of dollars)		
Sales proceeds .....	160,000	160,000
Less estimated expenses .....	<u>1,000</u>	<u>1,000</u>
	159,000	159,000
Less Carrying value of investment in		
Churchill Falls (Labrador) Corporation Limited .....	63,467	65,942
Expenditures on Lower		
Churchill River project .....	<u>3,377</u>	<u>3,387</u>
Organization and financing expenses .....	<u>2,435</u>	<u>2,435</u>
	<u>\$89,721</u>	<u>\$87,236</u>

In the opinion of the Company and its advisors, no income tax should be payable by the Company on the sale of the assets referred to in (i) above.

Under the terms of the agreements referred to above, the Company will provide the purchaser with certain warranties and representations relating to the financial position of Churchill Falls (Labrador) Corporation Limited and its subsidiary company Twin Falls Power Corporation Limited as at December 31, 1973. The Company knows of no matters arising from such warranties and representations likely to result in an adjustment to the extraordinary gain.





### Consolidated Statement of Income for the six months ended June 30, 1974

(Unaudited)  
\$ Thousands

	1974	1973
Income:		
Equity in net income of Churchill Falls (Labrador) Corporation Limited . . . . .	5,166	3,273
Income from Coseka Resources Limited . . . . .	68	—
Income on short-term deposits . . . . .	415	223
Sales . . . . .	—	15
Total income . . . . .	5,649	3,511
Expenses:		
Operating and administrative . . . . .	514	382
Depreciation . . . . .	16	36
Exploration expenditures and other costs related to natural resources — net . . . . .	767	449
Total expenses . . . . .	1,297	867
<b>Net income for the period before extraordinary item . . . . .</b>	<b>4,352</b>	<b>2,644</b>

#### Extraordinary item:

Gain on sale of shares of Churchill Falls (Labrador) Corporation Limited and Labrador water rights and related assets . . . . .	87,148	—
Deduct: Mine shutdown costs . . . . .	—	(38)
<b>Net income for the period . . . . .</b>	<b>91,500</b>	<b>2,606</b>
<b>Net income per share before extraordinary item . . . . .</b>	<b>\$0.178</b>	<b>\$0.112</b>
<b>Net income per share for the period . . . . .</b>	<b>\$3.749</b>	<b>\$0.110</b>

The accounts are presented whereby the consolidated financial statements of Brinco Limited include the accounts of all its subsidiaries, with the investment in Churchill Falls (Labrador) Corporation Limited included on an equity basis to the date of its sale on June 27, 1974.

### Consolidated Statement of Changes in Financial Position for the six months ended June 30, 1974

(Unaudited)  
\$ Thousands

	1974	1973
Source of funds:		
Proceeds from sale of shares of Churchill Falls (Labrador) Corporation Limited and Labrador water rights and related assets . . . . .	160,000	—
Less costs related to the sale . . . . .	1,000	—
<b>Issue of capital stock . . . . .</b>	<b>159,000</b>	<b>—</b>
<b>Issue of capital stock . . . . .</b>	<b>1,063</b>	<b>7,920</b>
<b>Issue of capital stock . . . . .</b>	<b>160,063</b>	<b>7,920</b>

#### Use of funds:

Current operations		
Equity in net income of Churchill Falls (Labrador) Corporation Limited . . . . .	5,166	3,273
Less net income before extraordinary item . . . . .	4,352	2,644
<b>Depreciation . . . . .</b>	<b>16</b>	<b>36</b>
Mine shutdown costs . . . . .	—	38
Investment in Abitibi Asbestos Mining Company Limited . . . . .	539	530
Other investments . . . . .	193	—
Land, buildings & equipment — net . . . . .	155	3
Expenditures on Lower Churchill River project (1974 costs are prior to date of sale) . . . . .	28	103
Expenditures on other projects . . . . .	116	193
Organization and financing expenses . . . . .	—	8
<b>Increase in funds . . . . .</b>	<b>1,829</b>	<b>1,468</b>
<b>Working capital at beginning of period . . . . .</b>	<b>158,234</b>	<b>6,452</b>
<b>Working capital at end of period . . . . .</b>	<b>4,948</b>	<b>3,811</b>
<b>Working capital at end of period . . . . .</b>	<b>163,182</b>	<b>10,263</b>

AUG 22 1974

AUG 22 1974

# Brinco

LIMITED and WHOLLY OWNED SUBSIDIARIES

AUG 22 1974

## Consolidated Financial Results

At the Annual and Extraordinary General Meeting held on June 27, 1974, shareholder approval was obtained for the sale of the Company's shares in Churchill Falls (Labrador) Corporation Limited together with its other Labrador water rights and information and studies related thereto for an amount of \$160,000,000, in cash, to the Government of Newfoundland. Immediately thereafter this sale was closed and resulted in an extraordinary gain of \$87,148,000.

The consolidated net income for the six months ended June 30, 1974, before this extraordinary gain, was \$4,352,000, or 18 cents per share, as compared to \$2,644,000, or 11 cents per share, for the same period in 1973. Brinco's share of Churchill Falls (Labrador) Corporation Limited net income was included to the date of sale of that Company. Resulting net income for the first six months of 1974 was therefore \$91,500,000.

In the opinion of the Company's advisors, no taxable gain was realized upon the sale of assets to the Government of Newfoundland and, accordingly, the accounts do not reflect any provision for tax on this transaction. The Company has been further advised that **for tax purposes** a special capital surplus of approximately \$107,000,000 has been created as a result of this transaction.

## Exploration

### Zinc — Yukon

In May the transaction with Cypress Resources Limited, which had been previously reported, was closed. Besides acquiring a share interest in Cypress, Brinco also has a working option on Cypress' property in the Bonnet Plume River area with the right to obtain a 60% interest in the property.

The first results from this season's exploration by Barrier Reef Resources Limited of its Goz Creek property in the Bonnet Plume River area of the

Yukon were recently reported. The first drill hole assayed 17% zinc over a core length of 92 feet, including a 67-foot section assaying over 22%. Assay results from four other completed holes have not yet been received. The drilling program is continuing. Earlier this year, Brinco agreed to increase its investment in Barrier by purchasing an additional 250,000 treasury shares at \$3.50 per share to provide funds to explore Barrier's Goz Creek property. Brinco also has an option to purchase a further 250,000 shares and the right either to arrange for or to provide production financing for the Goz Creek property; upon such financing being secured, Brinco will receive a further 500,000 shares at no additional cost, which would bring its interest in Barrier to 30%.

In the same general area of the Yukon Territory, a joint venture, in which Brinco holds the largest interest, reported the discovery of zinc in outcrop and mineralized float while investigating an area of high geochemical anomaly. A program of claim staking was undertaken to protect the mineralized area. It is too early to draw any conclusions as to the significance, if any, of this discovery.

### Zinc — State of Washington

The initial drilling program which began earlier this year on a zinc property of Callahan Mining Corporation by a joint venture in which Brinco has the right to obtain up to a 25.5% interest, has been completed with satisfactory results and a further program has been authorized and is underway. The initial results indicated 4,500,000 tons of material grading approximately 4½% and fill-in drilling is now underway. Adjacent ground, also believed to be mineralized, is being considered for drilling in due course as the program progresses.

## Asbestos

At June 30, 1974, Brinco owned or was entitled to have issued to it in consideration of expenditures incurred, 1,500,702 shares of Abitibi Asbestos Mining Company Limited, constituting approx-

imately 29% of the outstanding shares. In July 1974, Brinco concluded the purchase of an additional 100,000 treasury shares of Abitibi at \$1.50 per share to provide Abitibi Asbestos with additional working capital. Brinco has also entered into private agreements with two shareholders to purchase an aggregate of 897,500 common shares. Upon closing of these transactions, Brinco will own shares representing approximately 48% of the outstanding common shares of Abitibi Asbestos.

## Coseka Resources

On August 1, 1974, the final closing under the agreement with Coseka Resources will take place with the purchase by Brinco of a further \$3,500,000 principal amount of 8% five-year convertible secured debentures Series B. This brings Brinco's investment in Coseka to \$7,000,000 of which \$5,000,000 is in secured debentures, convertible into common stock.

## Offer to Shareholders

Shareholder approval was received at the Meeting on June 27, 1974, authorizing the Company to offer to purchase its common shares at a price of \$7.07 per share. The date upon which this offer commences will be determined by the directors and, in any event, will be on or before September 25, 1974. The offer will be entirely voluntary and each shareholder will be free to accept or reject it, as he sees fit.

Montreal, Quebec  
July 31, 1974

On peut obtenir le texte français de ce rapport auprès du service des Relations publiques, Brinco Limited, Un, Westmount Square, Montréal, Québec, Canada H3Z 2S2



**AR30**

September 16, 1974

TO THE SHAREHOLDERS:

Brinco Announces Dividend and Merger Plan

MAILED FROM ROYAL TRUST  
MONTREAL; POSTMARKED SEP 19, 1974

SEP 23 1974

The Board of Directors of Brinco Limited today declared a special dividend in the amount of \$1.20 a share payable on October 15, 1974 to shareholders of record on September 25, 1974. The Company also will make the necessary election to permit the special dividend to be paid from 1971 capital surplus on hand and has been advised that the dividend will not be taxable in Canada as dividend income in the hands of shareholders resident in Canada but will reduce the cost base of their shares. With respect to non-resident shareholders, the Company has been advised that the dividend will not attract Canadian withholding tax.

At the same time, the Directors also fixed September 25, 1974, as the mailing date for the offer to purchase outstanding shares of the Company at \$7.07 a share. Payment for shares tendered prior to 5:00 p.m. Montreal time on October 25, 1974, is expected to be made on or about November 1, 1974. The period during which the share purchase offer is open will, however, be extended beyond October 25 with payment for shares tendered to be made at regular intervals.

It is intended that shareholders of record on September 25 shall be entitled to receive both the special



dividend of \$1.20 a share and, if they should elect to tender their shares, the \$7.07 cash payment for each share so tendered.

At the same time, the Board of Directors of the Company approved an agreement for merger with Rio Algom Mines Limited. The agreement provides, among other things, for shares of the Company (ex the special dividend) to be valued at \$7.30 a share, subject in certain circumstances to adjustment, for purposes of the merger.

Specifically, for purposes of the merger, relative values will be established for Brinco shares and Rio Algom common shares on the basis of each Brinco share being valued (ex the special dividend) at \$7.30. The value of a Rio Algom common share will be the weighted average price per share of all Rio Algom common shares traded on the Toronto Stock Exchange during the 10 consecutive trading days ending seven days prior to the effective date of the merger. One Brinco share will be equivalent to \$7.30 worth of a Rio Algom common share valued as aforesaid, but in no circumstances will 10 Brinco shares be equivalent to more than three Rio Algom common shares as so valued. If the merger is effected by amalgamation, one Rio Algom common share will be converted into one common share of the amalgamated corporation and Brinco's shares will be converted into common shares of the amalgamated corporation on the basis of their aforesaid value relative to one Rio Algom common share. If an amalgamation of Rio Algom and Brinco is effected after

December 31, 1974, but prior to March 31, 1975, then the \$7.30 value ascribed to each Brinco share will be increased by \$0.05 for each half calendar month expiring after December 31, 1974, and prior to the effective date of the merger.

The proposed merger is subject to obtaining all necessary governmental approvals and consents and, if effected by amalgamation, requires approval by the shareholders of each corporation at meetings of such shareholders.

As a consequence of the foregoing arrangements, shareholders of the Company will have a choice between receiving either (a) \$8.27 a share in cash, consisting of the special dividend of \$1.20 a share payable on October 15 plus the \$7.07 a share purchase offer, payment for which will be made initially on or about November 1, or (b) a package consisting of the \$1.20 a share special dividend plus shares in an ongoing company determined as above. The offer to purchase shares will be kept open until shortly before the proposed merger to enable shareholders to assess their position.

The companies are advised that, on the basis of present Canadian tax law, if the merger is effected by amalgamation as is the intent, and if Brinco common shareholders as a group receive at least 25% of the common shares of the amalgamated company, the transaction would be a tax-free exchange for Canadian tax purposes to shareholders resident in Canada and elsewhere. In May, 1974, prior to the general election, the federal government introduced a budget which has not become law but which contained among its provisions a proposal for elimination

of the 25% requirement. It is not known whether the forthcoming budget will contain a similar proposal.

The Rio Tinto-Zinc Corporation which directly or through subsidiaries controls approximately 59.7% of the outstanding shares of Rio Algom and 49.4% of the outstanding Brinco shares, has undertaken not to accept the \$7.07 cash offer and to vote shares controlled by it in each company in such manner as may be necessary to accomplish the merger.

The tax effects of these actions will be different for non-Canadian shareholders and they should consult their tax advisors as soon as possible.

As soon as practicable a circular setting forth in detail the proposed transactions and the choices available to shareholders will be mailed to all shareholders.



# **Brinco Limited**

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Letter to Shareholders  
Offer to Purchase Shares  
Information Statement  
Financial Statements  
Letter of Transmittal

**September 25, 1974**



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September 25, 1974

## TO ALL SHAREHOLDERS:

Accompanying this letter is an offer by Brinco Limited to purchase its outstanding common shares for \$7.07 per share, an information statement relating to Brinco's present business and unaudited consolidated financial statements as at July 31, 1974.

It is unusual for a Canadian company to offer to purchase its own shares. However, the recent sale to the Government of Newfoundland of the Company's water power assets—including the investment in Churchill Falls (Labrador) Corporation Limited—was an unusual corporate event which resulted in a substantial change in your Company's business and assets.

On March 18, 1974, after considerable negotiation, the Government of Newfoundland informed the Company that if its major shareholder would agree to sell its Brinco shares to the Government at \$7.07 per share, the province would make a similar offer to all shareholders other than those residing in the United States. Your directors and their financial advisors did not consider this price to be fair and reasonable and further negotiations resulted in an agreement under which the Company agreed to sell its water power assets for \$160 million, retaining all its other assets.

Your directors and their financial advisors were of the opinion that the proceeds of this sale, representing approximately \$6.53 per share, and the value of the remaining assets, represent a total value per share greater than the \$7.07 which would have been paid to shareholders under the Government's proposed acquisition of Brinco shares.

It was recognized however that, in view of the substantial change in your Company's undertaking which resulted from the sale of its water power assets, some shareholders might prefer to receive cash in the amount proposed by Newfoundland. The Company therefore undertook that it would, within 90 days from the completion of the sale to Newfoundland, make an offer to purchase its shares at \$7.07.

Over the ensuing weeks your directors and management have investigated a number of avenues with a view to identifying that which promised the greatest benefit to our shareholders. The Company has recently concluded an agreement with Rio Algom Mines Limited which it believes presents shareholders with the opportunity to benefit from the potential of the Company's undertaking and with a more favorable position that would have been possible under earlier proposals.

The directors have also declared a special cash dividend in the amount of \$1.20 a share payable on October 15, 1974, to shareholders of record on September 25, 1974. The Company will make the necessary election to permit the special dividend to be paid from 1971 capital surplus on hand and has been advised that the dividend will not be taxable in Canada as dividend income in the hands of shareholders resident in Canada but will reduce the cost base of their shares. With respect to non-resident shareholders, the Company has been advised that the dividend will not attract Canadian withholding tax.

Accordingly, after payment of the special dividend of \$1.20 a share, shareholders will have the choice of accepting \$7.07 for their Brinco shares pursuant to the offer accompanying this letter, or of participating in an ongoing company resulting from a combination of Brinco and Rio Algom.

The preferred method of combination is by a statutory amalgamation of the two companies. If amalgamation cannot be effected, Rio Algom will offer to exchange its shares for Brinco shares. Details of the arrangements are contained under the captions "The Proposed Merger" and "Tax Consequences" in the enclosed material. Brinco shareholders are thus afforded the opportunity of receiving either, (1) \$8.27 per share in cash, consisting of the special dividend of \$1.20 per share

which is payable on October 15, 1974 to shareholders of record on September 25, 1974 plus \$7.07 per share payable if the offer to purchase made in the enclosed material is accepted, or (2) a package consisting of the special dividend of \$1.20 per share plus shares of an amalgamated company, (or, if the transaction should proceed by means of a share exchange offer, shares of Rio Algom).

It should be noted that the provisions for share valuation in alternative (2) are complicated and the value of the shares which would be received for Brinco shares would be determined by the market value of Rio Algom shares during a future period and may vary up or down from the current value of Rio Algom shares. Accordingly, shareholders are urged to study with care the details of the agreement with Rio Algom summarized in the enclosed "Offer to Purchase" and may also wish to consult their financial advisors.

The combination of Brinco and Rio Algom will occur upon completion of certain legal requirements, including the approval of certain governmental and regulatory authorities, and, in the case of amalgamation, the approval of the shareholders of both companies as required by applicable law. (If all governmental approvals and consents have not, in the reasonable opinion of either company, been obtained by March 31, 1975, either company may elect not to proceed with the combination.)

The offer by the Company to purchase its shares for \$7.07 in cash will remain open until shortly before the consummation of the combination to allow shareholders ample time in which to consider the alternatives open to them.

The Rio Tinto-Zinc Corporation Limited, which either directly or through subsidiaries controls approximately 49.3% of the outstanding Brinco shares and 59.7% of the outstanding Rio Algom common shares, has undertaken not to accept the \$7.07 cash offer and to vote shares controlled by it in each company in such manner as may be necessary to accomplish an amalgamation. It has also undertaken that it will exchange its Brinco shares for shares of Rio Algom if the transaction takes the form of a share exchange rather than an amalgamation.

Your directors are pleased that Brinco shareholders will have an opportunity to participate in a large, dividend-paying, resource company of which the Brinco assets will form an important part. On the other hand, those shareholders whose investment objectives are not met by such participation, will have an opportunity to realize upon their investment in Brinco shares at a price which, having regard to the special dividend referred to above, is more representative of the intrinsic value of their Brinco shares.

We urge each shareholder to read and consider carefully the information enclosed before making a decision. Detailed information with respect to the proposed combination of Brinco and Rio Algom will be mailed to you as soon as possible.

(Sgd.) R. D. Mulholland  
Chairman

(Sgd.) W. D. Mulholland  
President



**BRINCO LIMITED**  
One Westmount Square  
Montreal, Quebec H3Z 2X5

**OFFER TO PURCHASE  
ITS COMMON SHARES  
FOR CASH AT \$7.07 PER SHARE**

September 25, 1974

To the Holders of Common Shares of Brinco Limited:

Brinco Limited ("Company") hereby offers ("Offer") to purchase at \$7.07\* per share, in cash, any and all of its issued and outstanding common shares without nominal or par value ("Shares"). The Offer is made upon the terms and conditions set forth herein and in the accompanying letter of transmittal and the instructions contained therein ("Letter of Transmittal").

Each shareholder should evaluate carefully all of the information contained herein and in the accompanying information statement ("Information Statement") before deciding whether to accept the Offer. Unaudited financial statements of the Company and its subsidiaries as at July 31, 1974 and for the seven months ended on that date are set forth beginning on page 21. The 1973 year-end audited financial statements are contained in the Company's annual report which was mailed to all shareholders. Additional copies of the annual report may be obtained from the Secretary of the Company.

Shareholders should take special note of the fact that the respective boards of directors of Rio Algom Mines Limited ("Rio Algom") and of the Company have approved heads of agreement respecting a merger\*\* of the two companies which will take the form either of an amalgamation ("Amalgamation") of the Company and Rio Algom as a single continuing corporation ("Amalgamated Company") or a share exchange offer ("Exchange Offer") by Rio Algom. The proposed transaction is described in detail on page 5 under "The Proposed Merger". Reference is also made to "Tax Consequences" on page 8 for a discussion of the tax consequences to Brinco shareholders under the Amalgamation and the Exchange Offer.

As of September 16, 1974 there were 24,608,485 Shares outstanding. Of such number, The Rio Tinto-Zinc Corporation Limited ("RTZ") directly owned 100 Shares. At that date, its wholly-owned subsidiary Tinto Holdings Canada Limited directly owned 6,100 Shares and owned 80% of Thornwood Investments Limited ("Thornwood"), which in turn owned 12,113,831 Shares. RTZ thus controlled an aggregate of 12,120,031 Shares or approximately 49.3% of the Shares outstanding. Bethlehem Steel Corporation ("Bethlehem"), through a wholly-owned subsidiary, is a 20% minority shareholder in Thornwood.

As of September 16, 1974, there were 12,261,139 Rio Algom common shares outstanding. At that date, Preston Mines Limited, which was 80.89% beneficially owned by RTZ, owned 5,382,400 Rio Algom common shares, representing 43.90% of such shares. In addition, at that date RTZ was the beneficial owner of an additional 1,932,039 Rio Algom common shares, representing 15.76% of such shares. RTZ thus controlled an aggregate of 7,314,439 Rio Algom common shares, representing 59.66% of such shares outstanding.

RTZ and Thornwood, which together beneficially own or control 12,120,031 Shares, have undertaken that none of such Shares will be tendered in acceptance of the Offer. Accordingly the maximum number of Shares which may be tendered pursuant to the Offer is 12,488,454 Shares, constituting approximately 50.7% of the Shares outstanding. The maximum aggregate purchase price therefor is \$88,293,370. The Company will purchase all Shares validly tendered by the Expiry Date (as hereinafter defined).

\*All references herein are to Canadian Funds.

\*\*The term "merger" is used throughout in its broad business sense as including any combining of the businesses of two separate companies.

In addition RTZ and Thornwood have undertaken to vote the Brinco and Rio Algom common shares beneficially owned or controlled by them in favour of the Amalgamation if the proposed merger should take that form. They also intend to exchange their Shares for Rio Algom common shares if the proposed merger is by Share Exchange.

The Offer is being sent to all shareholders whose names appear at the close of business on September 25, 1974 on the registers of the Company in the offices of its registrar and transfer agent, The Royal Trust Company, which (at its principal offices in the cities of St. John's, Montreal and Toronto only) is acting as the depositary for the Offer (the "Depositary"). The Offer may also be accepted by the successors and assigns of such shareholders (including persons who become shareholders after September 25, 1974 and prior to the Expiry Date), and the Company will accept tenders of Shares from such successors and assigns (including such subsequent shareholders), received prior to the Expiry Date, if they comply with the terms of the Offer.

Any Shareholder who wishes to accept the Offer in whole or in part must complete the Letter of Transmittal in accordance with the instructions contained therein and forward the Letter of Transmittal together with his Share certificate(s) to the Depositary so that they are in the Depositary's possession by the Expiry Date defined below.

## **TERMS OF THE OFFER**

### **Expiry Date**

Unless extended, the Offer will expire at 5:00 p.m. Montreal time on the earlier of, (1) (a) a date to be determined which will be between the date of the mailing of the notice for the Company's shareholders' meeting called to approve the Amalgamation and the date on which such meeting will be held, or (b) a date to be determined which date will occur after the commencement but prior to the expiration of the Exchange Offer, or (2) March 31, 1975. With respect to (1) above, it is intended that the Offer will remain open for a reasonable period after the shareholders have been notified of the date on which the Offer will expire.

### **Procedure for Tendering Shares**

The Offer may be accepted only by delivering or mailing to the Depositary, at its principal office in any of the cities of St. John's, Montreal or Toronto, the certificate or certificates representing the Shares in respect of which the Offer is accepted, accompanied by a duly completed and signed Letter of Transmittal. Shareholders who wish to accept the Offer should remove and complete the Letter of Transmittal included at page 27. Any such certificate and Letter of Transmittal must arrive at any one of the said offices of the Depositary no later than the Expiry Date. For those shareholders who choose to tender only some of the Shares represented by a certificate, a new share certificate will be issued for the Shares not being tendered. The instructions to be followed by such shareholders are contained in the Letter of Transmittal.

*Shareholders who wish to forward their certificates by mail are advised to use registered mail for their own protection.*

The Letter of Transmittal and the acceptance of the Offer evidenced thereby will constitute an agreement between the tendering shareholder and the Company, in accordance with the terms hereof and of the Letter of Transmittal, only when the duly signed Letter of Transmittal and certificate(s) representing the Shares tendered are in the possession of the Depositary.

All questions as to the validity, form, eligibility and acceptance of any tendered Shares shall be determined by the Company, whose determination shall be final and binding.

### **Payment of Purchase Price**

For purposes hereof, 5:00 p.m. Montreal time on October 25, 1974, and on the last Friday in each month thereafter during the currency of the Offer, and on the Expiry Date, are each referred to as a "Tender Record Date".



As soon as practicable after each Tender Record Date, the Company will purchase Shares which have been validly tendered to the Depositary pursuant to the Offer prior to such Tender Record Date. Cheques of the Company in payment for such Shares will be issued on behalf of the Company by the Depositary payable in Canadian funds and mailed by first class mail to tendering shareholders as soon as practicable thereafter.

### **Right of Withdrawal**

Any tender of Shares pursuant to the terms hereof may be revoked and such Shares withdrawn at any time prior to the Tender Record Date applicable to such Shares by written notice to the Depositary from the tendering shareholder or his authorized attorney. Any such notice, to be valid, must be in the possession of the Depositary by such Tender Record Date.

### **REASONS FOR THE OFFER**

Under the agreements with the Government of Newfoundland ("Government") and the Newfoundland Industrial Development Corporation ("NIDC"), a Crown corporation of the Government, the Company's equity interest in Churchill Falls (Labrador) Corporation Limited, its rights to water power sites in Labrador, and plans, estimates and other documentation and information relating thereto were sold to the Government and NIDC for a price of \$160 million in cash. In view of the substantial change in the Company's undertaking resulting from this sale, the Company desired to give shareholders an opportunity to receive cash equal to the amount proposed by the Government in the legislation introduced to acquire the Shares. Accordingly the Offer and the price of \$7.07 per Share were provided for in such agreements. Special legislation was enacted pursuant to such agreements in order to enable the Company to make the Offer. Shares purchased pursuant to the Offer will not be cancelled, but will be held in the treasury of the Company. Such Shares may be resold from time to time by the Company at such prices and on such terms and conditions as its board of directors may determine.

### **SPECIAL DIVIDEND**

On September 16, 1974 the board of directors of the Company declared a special dividend of \$1.20 per Share payable on October 15, 1974 to shareholders of record on September 25, 1974. Reference is made to "Tax Consequences" on page 8 for an explanation of the treatment of this dividend for Canadian tax purposes.

### **THE PROPOSED MERGER**

Complete information concerning the proposed merger will be  
furnished to shareholders as soon as practicable

### **Heads of Agreement**

The following sets forth certain provisions of the heads of agreement approved by the respective boards of directors of the Company and Rio Algom on September 16, 1974.

1. It was acknowledged that Brinco would pay a dividend of \$1.20 per share during October, 1974 out of 1971 capital surplus on hand;
2. It was also acknowledged that Brinco would, not later than September 25, 1974, make a tender offer to its shareholders to purchase such of Brinco's shares as might be tendered during the offer period at a price of \$7.07 per share. The tender offer would provide that all shares ten-



dered on or before October 25, 1974 would be taken up and paid for by Brinco on or about November 1, 1974 and thereafter during the offer period at regular intervals;

3. It was also acknowledged that the preferable method of merging the corporations would be by way of statutory amalgamation under the laws of Ontario. If the governmental approvals and consents necessary for amalgamation were not forthcoming then, provided that the necessary consents and approvals could be obtained on terms and conditions acceptable to Rio Algom and presently existing Canadian income tax laws as amended by the proposed budget were then in force, Rio Algom would make a share exchange offer to the Brinco shareholders. Any such share exchange would be conditional upon Rio Algom obtaining more than 50% of the outstanding Brinco shares;
4. The Brinco tender offer would give particulars of the proposed merger and would remain open for acceptance by Brinco shareholders until a date as close as reasonably practicable to the effective date of the merger so as to enable Brinco shareholders to consider the merits of accepting the tender offer or of continuing as a shareholder of the merged corporation;
5. For purposes of the merger, relative values would be established for Brinco shares and Rio Algom common shares as follows:
  - (i) Each Brinco share (ex the special dividend referred to in paragraph 1 above) would, subject to (vi) below, be valued at \$7.30;
  - (ii) The value of a Rio Algom common share would be the weighted average price per share of all Rio Algom common shares traded on The Toronto Stock Exchange during ten consecutive trading days ending on an agreed date;
  - (iii) Ten Brinco shares valued at \$7.30 per share would be equivalent to the number of Rio Algom common shares equal to the quotient obtained by dividing \$73 by the value of a Rio Algom common share determined in accordance with (ii) above, but in no circumstances would ten Brinco shares be equivalent to more than three Rio Algom common shares;
  - (iv) If the merger is effected by amalgamation one Rio Algom common share would be converted into one common share of the Amalgamated Company. One share of the Amalgamated Company would be issued for that number of Brinco shares that was equal to the quotient obtained by dividing ten by the number of Rio Algom common shares determined under (iii) above;
  - (v) If the merger were effected by share exchange, relative values and exchange ratios would be established by the same means but shares issued in exchange for Brinco shares would be shares of Rio Algom;
  - (vi) If an amalgamation of Brinco and Rio Algom were effected after December 31, 1974 and prior to March 31, 1975 then, for the purposes of (i) and (iii) above, the value of each Brinco share would be increased by \$.05 for each half calendar month expiring after December 31, 1974 and prior to the effective date of the amalgamation;

(See Schedule A following for examples of calculations)

6. If, by March 31, 1975, all governmental approvals and consents to the merger had not, in the reasonable opinion of either party, been obtained, then either Rio Algom or Brinco could elect not to proceed with the merger; and
7. If after September 16, 1974 and prior to the effective date of the merger, Brinco were to change or become obligated to change its authorized or issued capital (except pursuant to the exercise of presently existing employee stock options), incur any additional material obligation or liability, or materially alter any existing obligation, without prior written consent of Rio Algom, then Rio Algom could elect not to proceed with the merger. Nothing would obligate either corporation to proceed with the merger by way of amalgamation if a material adverse change should occur in the business or financial condition of the other corporation.

## Schedule A

### *Example One*

- Assume (i) each Brinco share is valued at \$7.30;
- (ii) the weighted average price per Rio Algom common share is \$24.

Based upon the foregoing assumptions, the number of Rio Algom common shares determined under clause (iii) of paragraph 5 will be the quotient obtained by dividing \$73 by \$24, i.e. 3.041666; however since 10 Brinco shares cannot be equivalent to more than 3 Rio Algom common shares, the number of Rio Algom common shares so determined becomes 3. One common share of the Amalgamated Company will be issued for 3.333 Brinco shares since the quotient obtained by dividing 10 by 3 is 3.333.

### *Example Two*

- Assume (i) each Brinco share is valued at \$7.30;
- (ii) the weighted average price per Rio Algom common share is \$26.

Based upon the foregoing assumptions, the number of Rio Algom common shares determined under clause (iii) of paragraph 5 will be the quotient obtained by dividing \$73 by \$26, i.e. 2.807692. One common share of the Amalgamated Company will be issued for 3.562 Brinco shares as the quotient obtained by dividing 10 by 2.807692 is 3.561644.

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## **Rio Algom**

Rio Algom is a major Ontario corporation with over 13,000 common shareholders. Its common shares are listed on the Toronto, Montreal and American stock exchanges. Rio Algom is engaged directly and through subsidiaries in two principal lines of business: mining operations and steel operations. Rio Algom's mining operations consist of the exploration for and mining of ores and minerals; its principal products are uranium oxide, copper and molybdenum which are marketed in concentrate form. The steel operations consist of the production and marketing, for further manufacture by independent purchasers, of a wide variety of mill products, and the marketing of metal products purchased from other manufacturers.

### *Mining Operations*

Rio Algom's uranium operations consist of the mining and milling of uranium ore to produce uranium oxide in concentrates. These operations are conducted in the Elliot Lake area in Ontario and in San Juan County in the State of Utah. Rio Algom's copper operations consist of the mining and milling of copper-bearing ore to produce copper and certain other minerals in concentrates, which are sold to independent purchasers for smelting and refining. These operations are conducted in the Highland Valley area of British Columbia by Lornex Mining Corporation Ltd., which is 56.15% owned by Rio Algom, and at Mines de Poirier in the Joutel area of Quebec by Rio Algom.

### *Steel Operations*

The principal activity of Rio Algom's steel operations is the production and marketing of stainless and specialty steels. Production is carried on under the name "Atlas Steels" at plants in Welland, Ontario, and Tracy, Quebec. This production involves the conversion of steel scrap and alloy materials into a wide variety of mill products, including, billets, bars, forgings, sheet, strip and plate, which are used by independent purchasers in the fabrication of end-use products. Marketing is carried on directly and by a service centre distribution network and through subsidiaries under the name "Atlas Alloys". Atlas Alloys markets in North America and elsewhere both the steel products produced by Atlas Steels and steel and other products purchased from others.



## MARKET PRICE RANGE AND VOLUME OF TRADING OF BRINCO SHARES

The following is a summary showing the price range and volume of Shares on the Montreal Stock Exchange ("M.S.E.") and on The Toronto Stock Exchange ("T.S.E.") during the six month period preceding the date of the Offer.

Month	High	M.S.E.		High	T.S.E.	
		Low	Volume		Low	Volume
March	5 <sup>1</sup> / <sub>2</sub>	5 <sup>1</sup> / <sub>4</sub>	3,200	5 <sup>1</sup> / <sub>2</sub>	5 <sup>1</sup> / <sub>4</sub>	23,500
April	6 <sup>7</sup> / <sub>8</sub>	6 <sup>3</sup> / <sub>8</sub>	63,358	6 <sup>7</sup> / <sub>8</sub>	6 <sup>1</sup> / <sub>4</sub>	199,300
May	6 <sup>5</sup> / <sub>8</sub>	6 <sup>3</sup> / <sub>8</sub>	128,381	6 <sup>5</sup> / <sub>8</sub>	6 <sup>3</sup> / <sub>8</sub>	213,900
June	6 <sup>5</sup> / <sub>8</sub>	6 <sup>1</sup> / <sub>2</sub>	44,953	6 <sup>3</sup> / <sub>4</sub>	6 <sup>1</sup> / <sub>2</sub>	187,000
July	6 <sup>3</sup> / <sub>4</sub>	6 <sup>1</sup> / <sub>2</sub>	30,158	6 <sup>3</sup> / <sub>4</sub>	6 <sup>1</sup> / <sub>2</sub>	90,300
Aug.	6 <sup>3</sup> / <sub>4</sub>	6 <sup>3</sup> / <sub>4</sub>	69,376	6 <sup>7</sup> / <sub>8</sub>	6 <sup>3</sup> / <sub>4</sub>	103,083
Sept. 1-12	6 <sup>7</sup> / <sub>8</sub>	6 <sup>3</sup> / <sub>4</sub>	27,625	6 <sup>7</sup> / <sub>8</sub>	6 <sup>3</sup> / <sub>4</sub>	43,092
Sept. 17-19	8 <sup>1</sup> / <sub>8</sub>	7 <sup>3</sup> / <sub>4</sub>	107,616	8 <sup>1</sup> / <sub>8</sub>	7 <sup>3</sup> / <sub>4</sub>	240,242

On March 11, 1974, prior to the opening of the M.S.E. and the T.S.E., trading in the Shares was suspended at the request of the Government of Newfoundland. The last trade prior thereto was at a price of \$5.25 per Share. Such suspension continued until April 1, 1974.

The last sale price on September 12, 1974 on both the M.S.E. and the T.S.E. was \$6.75 per Share. Trading in the Shares was halted on September 13, 1974 and September 16, 1974 by the M.S.E. and T.S.E. at the request of the Company, pending the announcement of the special dividend and the proposed merger.

## TAX CONSEQUENCES

The following information has been furnished by the Company's tax advisors and relates to all Brinco shareholders, other than RTZ and related companies, who hold their Shares as capital property.

### CANADA

#### Special Dividend

On September 16, 1974 the Company declared a cash dividend of \$1.20 per Share. The Company will elect under the Income Tax Act (Canada) and the Taxation Act (Quebec) prior to the payable date to have this dividend (hereinafter referred to as the "Capital Surplus Dividend") deemed paid out of the Company's 1971 Capital Surplus on Hand. For Canadian income tax purposes the receipt of a dividend out of 1971 Capital Surplus on Hand by a shareholder resident in Canada is treated, in effect, as a return of capital and is not taxable as dividend income in the shareholder's hands. Such shareholder is, however, required to reduce the adjusted cost base of his Shares by the amount of the Capital Surplus Dividend received. Corporate shareholders would include the amount of the Capital Surplus Dividend in the computation of their own 1971 Capital Surplus on Hand where relevant. Shareholders not resident in Canada will not be subject to Canadian non-resident withholding tax on the Capital Surplus Dividend. Non-resident shareholders are, in general, not subject to Canadian capital gains taxation with respect to Shares and therefore are not required to maintain an adjusted cost base of their Shares for Canadian income tax purposes.

#### The Offer

Each shareholder whose Shares are purchased pursuant to the Offer will be deemed to have received a per Share return of capital (proceeds of disposition) equal to the paid-up capital of approximately \$3.08 attributable to each Share. Each such shareholder will also be deemed to have received a per Share dividend of approximately \$3.99, which is equal to the difference between \$7.07 and the approximate paid-up capital per Share. The Company will elect under the Income Tax Act (Canada) and the Taxation Act (Quebec) to have this deemed dividend paid out of the 1971 Capital Surplus on Hand of the Company (such dividend being referred to as the "Second Capital



Surplus Dividend"). The Second Capital Surplus Dividend is considered a return of capital (effectively additional proceeds of disposition) to such shareholder and is not taxed in his hands as a dividend.

Whether a shareholder resident in Canada will have a gain, a loss, or no gain or loss with respect to each Share purchased under the Offer will depend upon his adjusted cost base for such Share immediately before the purchase. In computing his gain or loss position, the per Share Second Capital Surplus Dividend is deducted from the adjusted cost base of each Share purchased and from the \$7.07 per Share purchase price. The reduced "proceeds" of \$3.08 per Share are then compared to the reduced adjusted cost base to determine the gain or loss. Where the reduction in the adjusted cost base for the Second Capital Surplus Dividend produces a negative amount, this negative amount should be added to the proceeds of \$3.08 to produce the per Share gain. In general, when such reduction produces a positive amount, this positive amount should be deducted from the proceeds of \$3.08 to produce the per Share gain. Where such shareholder holds the Share as a capital asset one-half of any gain will be included in his income as a taxable capital gain.

The foregoing tax treatment with respect to the Offer has been confirmed in an Advance Income Tax Ruling received from the Department of National Revenue (Canada).

Shareholders not resident in Canada will not be subject to Canadian tax with respect to any gain realized on purchase of their Shares by the Company. The Second Capital Surplus Dividend deemed to be received by them as a result of the transaction will not be subject to Canadian non-resident withholding tax.

### **Amalgamation**

On the basis of present law, providing Brinco common shareholders, as a group, receive nothing other than common shares which comprise at least 25% of the common shares of the Amalgamated Company, the transaction would be a tax-free exchange, for Canadian tax purposes, to shareholders resident in Canada and elsewhere. The adjusted cost base to each shareholder resident in Canada of his Brinco Shares would carry over and form the adjusted cost base of the common shares that such shareholder would receive in the Amalgamated Company. The May 6, 1974 budget of the federal government (which did not become law) proposed, among other things, to eliminate this 25% requirement and the forthcoming budget may contain a similar proposal.

### **Exchange Offer**

There is no provision at present in Canadian tax law for tax-free share for share exchanges. Therefore, in general, each Brinco shareholder who is resident in Canada and who exchanges his Shares for Rio Algom common shares would be subject to the Canadian capital gain provisions and will be considered to have disposed of his Brinco Shares for Canadian tax purposes for proceeds equal to the fair market value of the Rio Algom common shares at the time of the exchange. Whether the shareholder resident in Canada will have a gain, a loss or no gain or loss with respect to each Brinco Share exchanged will depend upon his adjusted cost base for such Share immediately before the exchange.

If the federal government's forthcoming budget adopts share for share exchange provisions similar to those proposed in the May 6, 1974 budget then, providing no consideration is received by a shareholder resident in Canada for his Brinco Shares other than common shares of Rio Algom, in general such shareholder would have a tax-free exchange of his Brinco Shares for Rio Algom common shares with the adjusted cost base of his Brinco Shares becoming the adjusted cost base of his Rio Algom common shares. This is on the assumption that any such amendments in the tax laws would be implemented by the provinces of Canada as well as the federal government and that such amendments would be in force at the date the share exchange takes place.

In general, shareholders not resident in Canada will not be subject to Canadian tax on any gain realized on such a share exchange under present laws, nor would they be subject to tax under any provisions similar to those proposed in the May 6, 1974 budget.

## OTHER JURISDICTIONS

### Special Dividend

All shareholders subject to taxation in other jurisdictions should consult with their tax advisors as to the taxation by such other jurisdictions of the Capital Surplus Dividend.

### The Offer

All shareholders subject to taxation in other jurisdictions tendering their Shares for purchase, particularly those tendering fewer than all of their Shares, are also encouraged to consult with their tax advisors concerning the tax consequences of their tendering Shares pursuant to the Offer and the application of the relevant tax laws and regulations to their particular circumstances.

In this regard no special Canadian taxes were paid to create the 1971 Capital Surplus on Hand out of which the Capital Surplus Dividend and the Second Capital Surplus Dividend will be deemed to be paid.

### Amalgamation and Exchange Offer

All shareholders subject to taxation in other jurisdictions should consult with their tax advisors as to the taxation by such other jurisdictions of either the Amalgamation or the Exchange Offer.

BRINCO LIMITED

By (sgd.) W. D. Mulholland  
President

(sgd.) M. C. Burnes  
Secretary

Depository:

### The Royal Trust Company

#### *Delivery Addresses*

##### **St. John's**

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139 Water Street  
St. John's, Newfoundland

##### **Montreal**

**The Royal Trust Company**  
**630 Dorchester Boulevard West**  
**Montreal, Quebec**

##### **Toronto**

The Royal Trust Company  
23rd Floor  
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Toronto, Ontario

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**Station B**  
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**H3B 3L5**

##### **Toronto**

The Royal Trust Company  
P.O. Box 7500  
Station A.  
Toronto, Ontario  
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Additional copies of this Offer to Purchase and the Letter of Transmittal may be obtained from the Depository at the addresses set forth above.

September 25, 1974

## INFORMATION STATEMENT

Except as otherwise indicated, this Information Statement is prepared as of September 16, 1974, and the accompanying financial information is as of July 31, 1974.

Since June, 1974, when Brinco received \$160 million in cash from the Province of Newfoundland for the sale of the Company's water power assets, Brinco has increased its investments in Abitibi Asbestos Mining Company Limited, Coseka Resources Limited and Barrier Reef Resources Ltd. (N.P.L.). At August 31, 1974, Brinco had in excess of \$155 million in cash and short-term deposits plus substantial investments in a number of exploratory and developing resource companies.

Other than current assets, which included cash on hand and short-term deposits at July 31, 1974 of \$163,520,000, the Company's assets were represented by the following investments which are shown at cost less amounts written off:

July and August figures are shown to reflect changes which have occurred since July 31, the date of the accompanying Financial Statements.

	August 31 1974	July 31 1974
Abitibi Asbestos Mining Company Limited .....	\$ 6,766,000	\$4,221,000
Coseka Resources Limited .....	7,106,000	3,606,000
Barrier Reef Resources Ltd. (N.P.L.) .....	1,088,000	213,000
Cypress Resources Limited .....	204,000	204,000
	<u>15,164,000</u>	<u>8,244,000</u>
Land, buildings, equipment and leasehold improvements .....	458,000	478,000
Project costs .....	<u>1,148,000</u>	<u>1,125,000</u>
	<u>\$16,770,000</u>	<u>\$9,847,000</u>

All exploration costs expended on the concessions in Newfoundland and Labrador, the interest in the Kitts/Michelin uranium deposits in Labrador, and various exploration ventures in Canada and the United States—amounting to approximately \$13 million at December 31, 1973—have been written off and any on-going value is not reflected in the above figures. Earnings to June 30, 1974 were represented almost entirely by the Company's interest in Churchill Falls.

Substantially all of the Company's present income comes from interest at current rates on its short-term deposits.



The Company's current activities fall primarily within three areas:

**1. Base Metals**

With particular emphasis on zinc, the Company has numerous interests in properties either (A) indirectly through equity participation in other corporations or (B) directly through exploration programs being operated by the Company's wholly-owned subsidiary, British Newfoundland Exploration Limited ("Brinex"), and other programs in which the Company's subsidiaries are joint venture participants.

**2. Industrial Minerals**

The Company is concentrating its efforts on asbestos and on limestone for cement. The current world-wide short supply of certain types of asbestos fibre is expected to persist into the foreseeable future.

**3. Energy Resources**

The Company's diverse interests in various types of energy resources include uranium, natural gas and oil, and coal.

**1. Base Metals**

**(A) *Participation in Companies***

The Company has taken equity positions in three companies — Barrier Reef Resources Ltd. (N.P.L.), Cypress Resources Limited and Nordore Mining Co. Ltd.—the first two of which have substantial property interests in the Bonnet Plume River area of the Yukon Territory. This area has attracted attention in recent months because of the occurrence of considerable zinc mineralization.

Barrier Reef Resources Ltd. (N.P.L.) ("Barrier Reef")

The Company currently owns 444,100 shares of Barrier Reef, of which 250,000 treasury shares were acquired in August at \$3.50 per share to provide funds required to explore Barrier Reef's Goz Creek property in the Bonnet Plume River area. In addition, Barrier Reef granted to the Company an option, exercisable on or before September 30, 1975, to purchase an additional 250,000 treasury shares of Barrier Reef at \$4.50 per share to provide further funds to explore the Goz Creek property. The Company also has the right to provide or arrange production financing for the Goz Creek property in consideration of which the Company would receive a further 500,000 shares of Barrier Reef. If the Company acquired all the above-mentioned shares it would own approximately 30% of the issued capital of Barrier Reef. Barrier Reef shares are listed on the Vancouver Stock Exchange and in 1974 have traded at prices ranging between 70 cents and \$6.60.

The Goz Creek property is located in rugged terrain, with elevations between 3,700 feet and 6,300 feet, approximately 120 miles south of the Arctic Circle and 125 miles northwest of Mayo in the Yukon Territory. At present access to the property is only by aircraft. The nearest mining operations are at Keno Hill, approximately 100 miles to the southeast.

To September 7, 1974, Barrier Reef had completed 18 drill holes on the property, along a strike length of approximately 1,000 feet. Assay results have been received on 13 holes of which 10 encountered zinc sulphide mineralization grading between 2.5% and 32.0% zinc over intersections ranging between 32 feet and 162 feet. The mineralized zone was intersected approximately 100 feet below the surface.

While initial results are encouraging, it is too early to assess the potential of the property or how much additional exploration work will be required to determine the existence of an ore body. The Company understands that Barrier Reef will from time to time announce further drilling results to the Vancouver Stock Exchange, which results will also be released to the press.

#### Cypress Resources Limited ("Cypress")

In May, the Company purchased 130,000 shares of Cypress at a total cost of \$204,000 which is to be used to carry out an exploration program on 120 claims held by Cypress in the Bonnet Plume River area. These claims are located about 10 miles west of Barrier Reef's Goz Creek claims. The Company also has an option, which may be exercised prior to March 1, 1975, to purchase a further 130,000 Cypress treasury shares at \$1.75 per share. Shares of Cypress are listed on the Vancouver Stock Exchange and in 1974 have traded at prices ranging between 25 cents and \$2.29.

Brinex has a working option agreement with Cypress under which Brinex may earn up to a 60% interest in the property by bringing it into production or making specified work expenditures aggregating a maximum of \$4 million over an eight-year period. To maintain the option in good standing, Brinex is also required to make annual payments to Cypress not exceeding \$50,000. Assay results from the first two holes drilled on the western portion of the property show low zinc values. Assays have not yet been received from five holes drilled in the central zone of the property, but visual estimates suggest that the mineralization may not be of ore grade. The southern portion of the property remains to be tested.

#### Nordore Mining Co. Ltd. ("Nordore")

The Company has agreed to purchase 300,000 treasury shares of Nordore for \$150,000. Nordore holds mineral claims mainly in Quebec on which it has been prospecting for copper and gold. It is also carrying out a development program as a general partner in a limited partnership which holds 12 mining claims on which silver and gold mineralization have been encountered in the Skeena Mining Division of British Columbia. Shares of Nordore are listed on the Montreal Stock Exchange and in 1974 have traded at prices ranging between 40 cents and 62 cents.

### (B) *Exploration Programs*

#### British Columbia

Exploration for copper, lead and zinc is being carried out in the following areas:

##### *Robb Lake Area, Northeastern British Columbia*

Lead-zinc mineralization has been encountered on claims held in this area by Brinex but commercial quantity and grade have not yet been proved. Detailed reports are not yet available on the results of exploration work carried out during the past summer. In addition to its own properties in the Robb Lake area, Brinex holds a working option from Zenith Mining Corporation Ltd. on a property in which Brinex may obtain up to a 70% interest by making work expenditures. Results of a diamond drill program to evaluate the Zenith property have not been encouraging.

In at least three other areas in the Robb Lake region, detailed geological and geochemical work will be continued to further define known areas of lead-zinc mineralization for future diamond drilling. All work in the Robb Lake region is being carried out under a joint venture with Metallgesellschaft A. G., a West German company which has the right ultimately to obtain 40% of Brinex's interest in any commercial discovery.

##### *Vancouver Island*

Brinex holds 42 claims in the Klaskino Inlet region on Vancouver Island. Prospecting has encountered copper mineralization with grades in the limited outcrop areas ranging from 0.1% to local zones of 1.0%. Diamond drilling with lightweight equipment was carried out during the past summer but continuity of mineralization has not been established. Regional and detailed exploration is continuing.

##### *Central British Columbia*

Exploration for porphyry copper deposits in the Babine Lake area of central British Columbia has been carried out on a small scale during 1974.



## Northwest Territories

Brinex holds a one-third interest in a joint venture to explore part of Cornwallis Island with Canadian Superior Exploration Limited and Home Oil Company Limited. In 1974 geological, geochemical and geophysical work, together with a 7,000-foot drilling program, was undertaken on lead-zinc anomalies with mineralized intersections being encountered in two of 12 holes.

On Ellesmere Island Brinex has a one-third interest in a joint venture with Texas Gulf, Inc. and Great Plains Development Company of Canada Ltd., which has been investigating lead-zinc mineralization. A program of follow-up work on known mineralized showings and geochemical anomalies has been undertaken in other areas of the Northwest Territories in equal partnership with Barrier Reef. A reconnaissance program for lead-zinc is also being undertaken elsewhere in the Arctic by Brinex's geologists.

## Yukon Territory

In addition to equity participation in Barrier Reef and Cypress, Brinex has a 40% interest in a joint venture with Mitsubishi Corporation and Ventures West Capital Ltd. to undertake reconnaissance exploration for potential zinc targets in the Yukon Territory. Several mineralized areas have been identified and some ground acquired by staking.

## United States (Washington State)

Under a December, 1973 joint venture agreement among United States Borax and Chemical Corporation (a subsidiary of The Rio Tinto-Zinc Corporation Limited, Brinco's principal shareholder), Callahan Mining Corporation, and Union Holdings Incorporated, (Brinco's wholly-owned U. S. subsidiary), a drilling program is underway on a property in Stevens County, State of Washington, where a mine formerly was worked by American Smelting and Refining Co. The property lies about 35 miles from the Cominco smelter at Trail, British Columbia, and 130 miles from the Bunker Hill smelter at Kellogg, Idaho. Under the agreement, United States Borax and Union may each obtain up to a 25.5% interest in the property upon making expenditures of \$300,000 by June 1978. A drilling program was commenced in 1974 to continue exploration which had been started by Callahan in 1971 to test new interpretations of geological data obtained from prior mining operations. Current results indicate the presence of at least 3.87 million tons grading approximately 4.12% zinc and 0.53% lead. The tonnage indicated to date, however, is not yet considered sufficient to warrant resumption of mining and milling operations at present zinc prices. The current drilling program is expected to conclude this fall at which point United States Borax and Union will have incurred expenditures of approximately \$115,000 each. In Brinco's view, the results to date would warrant an expanded and accelerated exploration program.

## Quebec

Brinex is participating in two joint ventures involving airborne geophysical surveys over established mining areas in northern Quebec searching for deeply-buried copper deposits.

In the first joint venture, with Kennco Explorations (Canada) Limited and James Bay Development Corporation, selected areas have been staked and further ground geophysical surveys were undertaken this year to be followed by diamond drilling. The second joint venture involves Beth-Canada Mining Company, James Bay Development Corporation, Groupe Minier Sullivan Ltée and Progemines Limitée. A substantial amount of aerial survey and some ground geophysics have been completed and over 100 claims have been staked.

## Newfoundland

Since 1953 the Province of Newfoundland has granted Brinco exclusive rights to explore for minerals, including oil and gas, over a large area of Newfoundland and its mainland Territory of Labrador.



Portions of the original concession acreage have already been surrendered but the Company still retains a total of 24,766 square miles, of which 20,242 square miles are located in Labrador and 4,524 are on the Island of Newfoundland.

Exploration on the west coast of Newfoundland in the Corner Brook-Bonne Bay area has identified a number of lead-zinc targets by geochemical surveys. A joint venture agreement has been entered into with Freeport Canadian Exploration Company to explore 1,200 square miles of potential lead-zinc strata. Several target areas are being drilled and trenched.

## **2. Industrial Minerals**

Abitibi Asbestos Mining Company Limited ("Abitibi")

Abitibi is the owner of one of the largest known undeveloped asbestos deposits in the Western World. The deposit is located in Maizerets Township, 52 miles north of Amos, Quebec. In April, 1972, Brinco entered into an agreement which enabled it, subject to the fulfillment of certain conditions, to obtain up to a 51% interest in Abitibi by acquiring treasury shares at \$2.50 per share. As at July 31, 1974, the Company had expended \$4,044,000 pursuant to the agreement and had acquired, or is entitled to acquire, a total of 1,617,620 shares of Abitibi. The Company anticipates that by the end of 1974 another 529,000 shares will be earned as a result of additional work expenditures. In addition to those provided for in the agreement, the Company has also purchased a further 100,000 Abitibi shares from treasury and has purchased or agreed to purchase a total of 1,024,500 shares from other shareholders. Accordingly, by the end of 1974 Brinco will own 56% of Abitibi's shares then outstanding. If Brinco acquires the balance of the shares to which it may become entitled under the agreement, it will hold 65% of Abitibi's outstanding shares. Shares of Abitibi are listed on the Montreal Stock Exchange and in 1974 have traded at prices ranging between 90 cents and \$2.15. The following summarizes the work done on Abitibi's major asbestos property:

Prior to the execution of the agreement with Brinco in April, 1972, approximately \$2 million had been spent by Abitibi and other parties principally for exploration of its main asbestos deposit. Abitibi estimated in 1971 that the overall capital cost of placing the deposit into production at an annual capacity of 150,000 tons of fibre would be approximately \$60 million, which figure is understood to have included an allowance for initial working capital requirements.

Between April, 1972, and July 31, 1974, approximately \$3.5 million was spent by Brinco in evaluation work pursuant to the agreement. During this period Brinco pursued a comprehensive evaluation program to assess the viability of developing the deposit.

Brinco considered it essential to carry out a large-scale underground bulk sampling program to assess the quality and magnitude of the Abitibi asbestos deposit. This program was considered necessary as a basis for its feasibility study of the Abitibi project. Site development for this investigation was initiated in July, 1972.

By March, 1973, a pilot plant had been constructed at the site capable of treating up to 30 tons of fibre-bearing rock per day. The pilot plant utilizes commercial-scale equipment and permits a range of process design alternatives. A quality control laboratory was also established on the property.

During 1972 the shaft and underground workings at the 200-foot level were rehabilitated. Underground development was extended over 1,570 feet into the central and western zones of the deposit. Further underground development has been extended approximately 500 feet into the eastern zone during 1974.

Drilling programs have been carried out to investigate the physical properties and extent of the unconsolidated overburden overlaying the deposit. Diamond drilling during 1974, amounting to approximately 10,000 feet, will explore certain zones of the deposit and those adjacent areas necessary for production facilities.

Between March and December 1973, 26 bulk samples were mined over 1,570 feet of mineralized cross-cuts in the central and western zones of the deposit. Pilot plant milling yielded 120 tons of fibre and analysis of the results enabled a determination of the extent to which the bulk samples correlated with the values indicated by diamond drilling in adjacent areas.

Brinco at the same time developed a computerized model of the deposit based on data obtained over approximately 80,000 feet of surface diamond drilling completed by Abitibi prior to April 1972. By comparing the mined bulk sample results to the model, an accurate assessment may be made of the potential tonnage and recoverable value of the asbestos-bearing rock throughout the deposit.

On this basis, Brinco currently estimates the deposit to contain 100 million tons containing 3.5% recoverable asbestos fibre. This estimate of mineralized rock is less than the earlier estimate calculated by consultants to Abitibi in 1971 of 105 million tons with 4.0% recoverable fibre comprised of groups 4, 5 and 6 (although the then available information was insufficient to permit estimates as to the percentage of each grade individually). While Brinco will not be in a position to finalize the potential tonnage of the deposit until completion of feasibility studies, the lower estimate stems in part from a different approach to fibre evaluation and in part from a slightly smaller open-pit design. The 1971 estimate provided for removal of 45 million cubic yards of overburden and 178 million tons of waste rock. Brinco estimates that to develop this deposit it would be necessary to remove approximately 38 million cubic yards of unconsolidated overburden and approximately 120 million tons of waste rock.

A considerable amount of fibre has been distributed to potential customers throughout the world. Both laboratory and commercial-scale tests have confirmed that Abitibi fibre is of superior quality with filtering and strength properties well-suited to the requirements of the asbestos cement industry.

A tightening supply situation for chrysotile asbestos has developed in 1974 and is projected to persist into the foreseeable future. It would appear that substantial volumes of high-quality fibre could be readily absorbed by current world demand.

In June, 1974, Brinco and Marubeni Corporation ("Marubeni"), a Japanese trading corporation, entered into a letter of intent. This letter contemplates that subject to Brinco making a production decision with regard to Abitibi's asbestos properties and to confirmation of availability of asbestos fibre in the grades and qualities desired, Brinco would cause Abitibi to enter into a contract with Marubeni. Under the contract Marubeni would act as the exclusive distributor in certain areas of Asia for asbestos fibre produced by Abitibi and would purchase substantial tonnage on terms attractive to Abitibi. The agreement is subject to approval by the boards of directors of the companies involved.

Brinco is currently working toward completion of a detailed study of the feasibility of developing the Abitibi deposit. Mine planning with the aid of a computerized model of the deposit is currently being carried out by RTZ Consultants Ltd. to establish the optimum mining strategy and production plant capacities. Further pilot plant test work is being carried out to determine a process design that will maximize the recovery of fibre. Bulk sampling and diamond drilling is continuing to more accurately outline the asbestos deposit.

The joint venture consulting organization of SNC Services Limited and Canadian Bechtel Limited will provide Brinco with detailed capital construction cost estimates. As a result of Brinco adding to such estimates its estimates of project costs, owners costs during construction, interest during construction, start-up costs, working capital and other costs, a total capital cost will be available for financial analysis. While Brinco is not yet in a position to make a reliable estimate of such total cost, it is expected that the total cost will be significantly higher than the 1971 Abitibi estimate due, in part, to inflationary trends.

Brinco's preliminary financial analyses indicate that the potential viability of the project is sufficiently encouraging for Brinco to continue its feasibility and pre-production programs during the balance of 1974.



## Limestone for Cement

The Brinex concession on the Port-au-Port Peninsula of western Newfoundland contains the largest known deposit of high-quality limestone suitable for the manufacture of cement on the eastern Canadian seaboard. This manufacturing process requires shale, also found in the Brinex concession. The limestone area is within two miles of tidewater on the generally ice-free north shore of St. Georges Bay, where it is in a strategic location to produce cement for bulk supply to markets, particularly in the eastern United States but also in Europe and central Canada.

Brinex has entered into an agreement with Lehigh Portland Cement Company ("Lehigh"), Allentown, Pennsylvania, to study the feasibility of a one-million-ton-a-year plant at Port-au-Port. Diamond drilling has identified in excess of 300 million tons of limestone and substantial shale deposits.

This year Reid Crowther Bendy International Limited, engineering specialists in the manufacture of cement, was engaged to carry out a technical evaluation. Other engineering experts were assigned to study harbor and terminal facilities, support services, transportation and fuel supplies. The costs of these studies are to be shared equally between Lehigh and Brinex. The evaluation studies are proceeding on schedule with the final reports due before the end of the year. If the project is commercially viable, Lehigh and Brinex will incorporate a new company which will operate the project, in which it is understood that Lehigh will be the majority shareholder.

### 3. Energy Resources

#### (A) Uranium

In addition to an exploration program to identify uranium targets, the Company also has two active projects, one of which would involve mining of uranium ore, and the other the development of a uranium enrichment facility for processing natural uranium destined for use as fuel for light-water nuclear reactors.

#### Kitts/Michelin Uranium Deposits

In 1966 Brinex entered into an agreement with Metallgesellschaft A. G. to explore jointly 1,236 square miles of the Company's mineral acreage west of Makkovik on the east coast of Labrador.

Exploration revealed two uranium deposits at Kitts and Michelin, approximately 12 miles and 45 miles southwest of Makkovik respectively. These were subsequently investigated by diamond drilling and, in the case of the Kitts deposit, by underground work and bulk sampling. Grades and reserves are estimated as follows:

<u>Deposits</u>	<u>Tonnage and grade of probable reserves including dilution</u>	
	<u>Tons</u>	<u>lbs/ton uranium oxide</u>
Kitts .....	208,000	14.18
Michelin .....	3,116,000	3.04
Total .....	3,324,000	3.7 lbs/ton



In 1970, it was concluded that mining of the Kitts/Michelin deposits was not feasible at the then current world price for uranium oxide. However, recent increases in long-term contract prices for delivery of uranium oxide have caused Brinex to re-evaluate the feasibility of mining these deposits.

In addition to exploration for additional reserves, underground work and diamond drilling are being undertaken to determine with greater certainty the grade and tonnage of the Kitts/Michelin reserves. This work will require two years to complete. If a decision is made to proceed with development, the program would likely involve simultaneous mining of the Kitts/Michelin deposits using a common milling facility. The construction phase would last approximately two years with capital costs presently estimated to be in the order of \$40 million to \$50 million. If a production decision is made, Brinex and Metallgesellschaft A. G. will be entitled to 60% and 40% interests respectively in the deposits. \$680,000 has been budgeted for the 1974 program and costs are to be borne equally by Brinex and Metallgesellschaft A. G.

### Exploration

In addition to its work on the Kitts/Michelin deposits, Brinex has resumed its uranium exploration program and is investigating other selected areas in Labrador and the Maritime Provinces of Canada. A study is also underway to assess potential uranium targets elsewhere in Canada and the United States.

### Uranium Enrichment

In association with partners, Brinco undertook a program to determine the conditions for building and operating a toll processing facility in Canada to provide, on a commercial basis, enriched uranium required to fuel light-water moderated nuclear reactors. It is expected that a comprehensive feasibility study would cost an estimated \$6 million and take two years to complete. The partners would share the feasibility study costs and have the opportunity to participate as equity partners in the financing of a facility and to contract for its output if a decision is made to build it.

Brinco has made a formal request to the United States Government, through the auspices of the Canadian Government, for access to United States enrichment technology. While the United States Government has not yet replied to Brinco, the Canadian Government has advised the Company that its proposal has been favorably received by the United States Government and that the first phase of the forthcoming formal negotiations for access would deal with commercial matters.

For planning purposes, Brinco is considering a facility of a similar size to one that has recently been estimated in the United States to cost in the order of \$2 billion. At today's price for enrichment services, annual revenue from a new Canadian facility of the size contemplated by Brinco would be in excess of \$400 million. Such a facility would take five to six years to construct and could have a useful life of at least 40 years. It has been estimated that by the turn of the century new enrichment production equivalent to that from at least 15 plants of the capacity contemplated by Brinco will be needed. World-wide enrichment services are presently being provided mainly by three large gaseous diffusion plants in the United States operated by the Atomic Energy Commission.

(B) ***Oil and Natural Gas***

The company's interest in this area is principally through its investment in Coseka Resources Limited.

Coseka Resources Limited ("Coseka")

The Company now owns 727,273 shares of Coseka and \$5 million principal amount of its 8% secured convertible debentures. If the Company converts all the debentures into shares on the most favorable basis, it would own approximately 30% of the outstanding common shares of Coseka at an average cost of \$2.91. These shares are listed on the Vancouver Stock Exchange and The Toronto Stock Exchange and in 1974 have traded at prices ranging between \$1.20 and \$2.60.

As of April 30, 1974, Coseka estimated its net interest in oil and gas reserves as follows:

	<u>Proven</u>	<u>Probable</u>	<u>Total</u>
Crude Oil			
(Barrels)	354,000	195,000	549,000
Natural Gas			
(Billion Cubic Feet)	246.90	69.13	316.03
Natural Gas Liquids			
(Barrels)	588,695	109,245	697,940
Sulphur			
(Long Tons)	1,292,933	612,302	1,905,235

The reserves are located principally in Alberta in the sweet, shallow gas reservoirs of the southeast, and in the deep sour gas reservoirs in the Foothills of the Rocky Mountains. Because few of Coseka's properties are developed and producing, the degree of certainty attaching to these reserves is less than would be the case for more developed properties.

Coseka's most significant holding is a 34.22% interest in the North Coleman field of Alberta, approximately 85 miles southwest of Calgary. A well drilled in March 1974 reached a total depth of 12,830 feet, and has since been tested to have a production potential of 45.0 million cubic feet per day from two horizons. The impact of this well on Coseka's reserves and cash flow potential has not yet been fully analyzed.

The purchase earlier this year of an additional 5.78% interest (included in the 34.22% mentioned above) in the North Coleman field has added approximately a further 26 billion cubic feet to its total natural gas reserves as estimated by Coseka above.

Coseka's 77% subsidiary, Wharf Resources Limited, also holds varying interests in prospective gold, copper and coal properties in certain areas of British Columbia, Alberta and the State of Montana.

**Oil and Gas Concessions**

Brinex holds the exclusive right until 1979 to explore for crude oil and natural gas on a concession area comprising approximately 5,984 square miles in western Newfoundland (including 1,200 square miles within inlets and bays). Brinex has an agreement with Golden Eagle Development Limited which provides that both parties will share equally in any cost relating to the concession.

In 1972, a farmout agreement was entered into with Union Oil Company of Canada Limited and in 1973 an exploratory well was drilled in the Anquille Mountains area, 30 miles

north of Port-aux-Basques. The well was abandoned at 7,800 feet without encountering any hydrocarbons. Further drilling on this acreage is possible but none is planned at the present time. As a result of drilling the well, Union Oil has earned a 50% interest in approximately 1,250 square miles of the concession area.

**(C) *Coal***

The Company has for the past two years been investigating the possibility of acquiring interests in coal properties and coal producing companies in North America.

The first step in implementing the decision to enter the coal industry was the recent acquisition by Brinco's subsidiary, Union Holdings Incorporated, of rights on 14,000 acres covering known occurrences of steaming coal in the United States. A program of reconnaissance drilling will commence in the near future. Acquisition of additional acreage is presently being pursued in both Canada and the United States.

**Financial Information**

The following unaudited financial statements of the Company and its subsidiaries reflect the companies' financial position as at July 31, 1974 and the results of their operations for the seven months ended on that date.



**BRINCO LIMITED  
and subsidiaries**

**Consolidated Balance Sheet  
as at July 31, 1974  
(Unaudited)**

**Assets**

Current assets:

Cash and short-term deposits with banks and trust company .....	\$163,520,000	
Accrued interest .....	1,771,000	
Accounts receivable .....	347,000	
Supplies and prepaid expenses .....	<u>146,000</u>	\$165,784,000

Investments, at cost:

Abitibi Asbestos Mining Company Limited (Note 2) .....	4,221,000	
Coseka Resources Limited (Note 3) .....	3,606,000	
Other (Note 4) .....	<u>417,000</u>	8,244,000

Land, buildings, equipment and leasehold improvements, at cost less accumulated depreciation and amortization \$491,000 ...		478,000
Expenditures on projects, less amounts written off .....		<u>1,125,000</u>
		<u>\$175,631,000</u>

**Liabilities and Shareholders' Equity**

Current liabilities:

Accounts payable and accrued liabilities .....	\$ 2,375,000	
Income taxes payable .....	<u>167,000</u>	\$ 2,542,000

Shareholders' equity (Note 5):

Capital stock .....	75,708,000	
Retained earnings .....	<u>97,381,000</u>	<u>173,089,000</u>
		<u>\$175,631,000</u>

*See accompanying notes.*

**BRINCO LIMITED**  
and subsidiaries

**Consolidated Statement of Income and Retained Earnings**  
**for the seven months ended July 31, 1974**  
(Unaudited)

Income:

Equity in net income of Churchill Falls (Labrador) Corporation Limited (Note 6) .....	\$ 5,166,000	
Income from short-term deposits .....	1,981,000	
Income from Coseka Resources Limited .....	<u>80,000</u>	\$ 7,227,000

Expenses:

Administrative .....	825,000	
Depreciation and amortization .....	21,000	
Expenditures on projects written off .....	383,000	
Exploration expenditures and other costs related to natural resources—net (Note 7) .....	<u>1,032,000</u>	<u>2,261,000</u>

Income for the period before income taxes and extraordinary items .....	4,966,000
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Provision for income taxes .....	<u>407,000</u>
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Net income for the period before extra- ordinary items .....	4,559,000
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Extraordinary items:

Reduction in income taxes due to loss carried forward .....	240,000	
Gain on sale of shares of Churchill Falls (Labrador) Corporation Limited and Labrador water rights and related assets (Note 6) .....	<u>87,148,000</u>	<u>87,388,000</u>

Net income for the period (Note 9) .....	91,947,000
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Retained earnings at beginning of period .....	<u>5,434,000</u>
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Retained earnings at end of period .....	<u>\$97,381,000</u>
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*See accompanying notes.*

**BRINCO LIMITED**  
and subsidiaries

**Consolidated Statement of Changes in Financial Position**  
**for the seven months ended July 31, 1974**

(Unaudited)

Source of funds:

Proceeds from sale of shares of Churchill Falls (Labrador) Corporation Limited and Labrador water rights and related assets .....	\$160,000,000	
Less estimated costs related to the sale .....	<u>1,000,000</u>	\$159,000,000
Issue of capital stock .....		1,063,000

Current operations:

Net income before extraordinary items .....	4,559,000	
Add charges not involving an outlay of funds:		
Depreciation, amortization and expenditures on projects written off .....	404,000	
Provision for income taxes .....	<u>240,000</u>	
	5,203,000	
Less income not involving a receipt of funds:		
Equity in net income of Churchill Falls (Labrador) Corporation Limited .....	<u>5,166,000</u>	37,000
		<u>160,100,000</u>

Use of funds:

Investment in Abitibi Asbestos Mining Company Limited ....	984,000	
Other investments .....	202,000	
Land, buildings, equipment and leasehold improvements ...	454,000	
Expenditures on projects .....	<u>166,000</u>	1,806,000
Increase in funds .....		158,294,000

Working capital at beginning of period .....		<u>4,948,000</u>
Working capital at end of period .....		<u><u>\$163,242,000</u></u>

*See accompanying notes.*



**BRINCO LIMITED**  
**and subsidiaries**

**Notes to the Consolidated  
Financial Statements  
July 31, 1974  
(Unaudited)**

**1. COMPANIES INCLUDED IN CONSOLIDATION:**

The consolidated financial statements include the accounts of the Company and its subsidiaries as follows:

	<u>Ownership</u>
British Newfoundland Exploration Limited ("Brinex") .....	100%
Brinco (Quebec) Limited .....	100%
Union Holdings Incorporated .....	100%
Fernie Coal Mines Limited .....	80%
Iskut Pulpower Ltd. ....	60%

**2. INVESTMENT IN ABITIBI ASBESTOS MINING COMPANY LIMITED:**

Under the terms of an agreement entered into with Abitibi Asbestos Mining Company Limited ("Abitibi") in 1972 and amended in 1973, the Company purchased 800,000 shares of Abitibi for \$500,000 in cash and a commitment to spend \$1,500,000 on the construction of a pilot plant and related preproduction studies on the asbestos properties of Abitibi. The agreement, as amended, provides for conversion of expenditures by the Company in excess of the \$1,500,000 into additional shares of Abitibi on the basis of one share for each \$2.50 of such excess, or under certain conditions, reimbursement may be made to the Company in cash.

As at July 31, 1974, the Company owned or was entitled to acquire shares in Abitibi as follows:

	<u>Shares</u>	<u>Amount</u>
Acquired for cash or for development and preproduction expenditures to April 1974, made on behalf of Abitibi at \$2.50 per share .....	1,486,975	\$3,645,000
Entitled to acquire for development and preproduction expenditures May 1974 to July 1974 at \$2.50 per share .....	230,645	576,000
	<u>1,717,620</u>	<u>\$4,221,000</u>

The quoted value of the investment in Abitibi at July 31, 1974, was \$3,435,000 but in view of the relative size and nature of the Company's shareholding and the limited trading volume in Abitibi shares, this is not necessarily indicative of the value of this investment.

Subsequent to July 31, 1974, the Company has purchased or agreed to purchase from shareholders of Abitibi an aggregate of 1,024,500 shares for \$2,317,000. After giving effect to these purchases, the Company owned or was entitled to acquire 2,742,120 shares or approximately 51% of the outstanding share capital of Abitibi.

Under the terms of the agreement referred to above the Company has, until July 1976, the right to make a production decision. In the event that a production decision is made, the Company has agreed to acquire sufficient additional treasury shares so that the total number of shares purchased under the agreement, as amended, will represent 51% of the then outstanding shares of Abitibi. The Company may also be obligated as required by lenders who provide senior financing, to give completion guarantees and to provide any additional funds in the event of an over-run in relation to project cost estimates. In addition, if required for purposes of senior financing, the Company will undertake to advance up to \$1,500,000.

Unaudited financial statements of Abitibi as of June 30, 1974, disclose the following financial position:

Current assets .....	\$ 86,000 *	Current liabilities .....	\$ 107,000
Mining properties .....	160,000	Due to Brinco Limited .....	311,000
Deferred exploration and development expenditures .....	5,634,000	Shareholders' equity:	
Fixed assets—net .....	5,000	Issued capital .....	\$5,012,000*
		Less discount .....	1,512,000
			3,500,000
		Contributed surplus .....	2,632,000
		Deficit .....	(665,000)
	<u>\$5,885,000</u>		5,467,000
			<u>\$5,885,000</u>

\*In July, 1974, Brinco purchased 100,000 treasury shares of Abitibi for \$150,000 in cash for working capital purposes.

### 3. INVESTMENT IN COSEKA RESOURCES LIMITED ("Coseka"):

727,273	Common shares .....	\$2,000,000
\$1,500,000	8% Secured Convertible Debenture Series "A" .....	1,500,000
	Acquisition costs .....	106,000
		<u>\$3,606,000</u>

Subsequent to July 31, 1974, the Company acquired an additional \$3,500,000 of 8% Secured Convertible Debenture Series "B".

The Series "A" debenture matures September 7, 1976 and, at the Company's option, is convertible at \$2.75 per Coseka common share. The series "B" debenture matures August 1, 1979 and, at the Company's option, is convertible at \$3.00 per Coseka common share until August 1, 1977 and, under certain circumstances thereafter, at \$3.50 per Coseka common share.

The Company has certain rights of first refusal in any equity financing by Coseka. If the Series "A" and Series "B" debentures are all converted under the most favourable terms, this would result in the Company acquiring approximately 30% of the outstanding voting shares of Coseka. The quoted market value of the investment in common shares of Coseka was \$1,505,000 as at July 31, 1974. In view of the relative size and nature of the Company's shareholding and the limited trading volume in Coseka shares, the quoted market value is not necessarily indicative of the value of this investment.

### 4. OTHER INVESTMENTS:

	Shares	Amount
Barrier Reef Resources Ltd. (N.P.L.) ("Barrier Reef") .....	194,100	\$213,000
Cypress Resources Limited ("Cypress") .....	130,000	204,000
		<u>\$417,000</u>

#### Barrier Reef:

The quoted market value of the Company's investment as at July 31, 1974, was \$1,155,000 (\$5.95 per share). The market value of the Barrier Reef shares on September 16, 1974, was \$0.75 per share.

On August 2, 1974, the Company acquired an additional 250,000 shares at \$3.50 per share.

In addition, the Company has been granted certain rights and options which could result in ownership by the Company of approximately 30% of the issued share capital of Barrier Reef.

#### Cypress:

The quoted market value of the Company's investment as at July 31, 1974, was \$272,000 (\$2.09 per share). The market value of the Cypress shares on September 16, 1974 was \$0.27 per share.

The Company has been granted options to purchase additional shares and Brinex has a working option on a Cypress property with the right to acquire up to a 60% interest in that property.

### 5. SHAREHOLDERS' EQUITY:

#### (a) Capital Stock:

- (i) Common shares without nominal or par value authorized and issued as at July 31, 1974, were:

	Shares	Amount
Authorized .....	35,000,000	
Issued and fully paid .....	24,548,152	\$75,708,000

- (ii) The following shares have been issued for cash during 1974:

	Shares	Amount
Under the 1970 Stock Option Plan—133,001 to officers, including officers who were also directors .....	241,341	\$ 1,063,000

- (iii) At July 31, 1974, options were outstanding on 61,333 shares—57,333 shares to officers including officers who were also directors—exercisable at prices varying from \$3.70 to \$5.18 per share for periods up to April 12, 1978.

#### (b) Dividend Declared:

On September 16, 1974, a cash dividend of \$1.20 per share was declared, payable on October 15, 1974, to shareholders of record September 25, 1974.

#### (c) Offer to Shareholders:

Under date of September 25, 1974, the Company has made an offer to shareholders to purchase its outstanding shares at \$7.07 per share. Of this amount \$3.08 will be charged against paid up capital and the balance of \$3.99 will be reflected as a deduction from retained earnings.

## 6. EXTRAORDINARY GAIN:

On June 27, 1974, the Company sold its shareholding in Churchill Falls (Labrador) Corporation Limited ("CFLCo") and its other Labrador water power rights including information and studies related thereto for \$160,000,000 cash.

The Company recorded as income its equity in the net income of CFLCo for the period up to the date of sale.

The sale resulted in an extraordinary gain calculated as follows:

Sales proceeds .....	\$160,000,000	
Less: Estimated costs related to the sale .....	1,000,000	\$159,000,000
Less: Carrying value of investment in CFLCo .....	66,033,000	
Expenditures on Lower Churchill River project .....	3,384,000	
Organization and financing expenses .....	2,435,000	71,852,000
		<u>\$ 87,148,000</u>

In the opinion of the Company and its tax advisors, no income tax will be payable by the Company on the sale of these assets.

## 7. EXPLORATION AND OTHER EXPENDITURES:

Exploration expenditures and costs related to the investigation of possible investments in natural resources are charged to income as incurred and are net of recoveries from joint venture partners of \$195,000.

## 8. INCOME TAXES:

For income tax purposes, Brinex claims as a deduction, exploration, depreciation and preproduction expenditures sufficient to offset income which would otherwise be taxable. At July 31, 1974, depreciation and amounts written off since the commencement of operations exceed allowances claimed for tax purposes by \$13,600,000. Also, subsequent to 1976, Brinex will be entitled to claim the earned depletion allowances which will have been accumulated from November 7, 1969 providing it has production profits. As at July 31, 1974, the balance of eligible expenditures against which such earned depletion may be claimed amounted to \$6,500,000.

In addition, Brinex has losses carried forward for income tax purposes.

## 9. EARNINGS PER SHARE:

Net income per share before extraordinary items .....		\$0.19
Extraordinary items:		
Reduction in income taxes .....	\$0.01	
Gain on sale of shares of Churchill Falls (Labrador) Corporation Limited and Labrador water rights and related assets .....	3.56	3.57
Net income per share for the period .....		<u>\$3.76</u>

The calculation of net income per share has been made using the weighted average number of common shares outstanding during the period. There would be no material dilution of net income per share if the outstanding stock options had been exercised.

## 10. COMMITMENT AND CONTINGENT LIABILITY:

In 1953, the Government of Newfoundland and the Company entered into an agreement ("Principal Agreement") whereby the Company was granted options on extensive natural resource concessions within the Province of Newfoundland. Under the terms of the Principal Agreement, as amended, the Company is obligated to pay to the Government of Newfoundland an annual rental equal to 8% of the consolidated net profits before income taxes (as defined) of the Company and its subsidiary companies resulting from the operations of the concessions and rights granted by the Principal Agreement.

Under the terms of the agreements relating to the sale of the Company's shareholding in CFLCo and Labrador water rights and related assets, the Company provided the purchaser with certain warranties and representations relating to the financial position of CFLCo and its subsidiary company as at December 31, 1973. The Company knows of no matters arising from such warranties and representations likely to result in an adjustment to the extraordinary gain recorded on the sale.

## 11. SUBSEQUENT EVENT:

Reference is made to page 5 of the accompanying Offer to Purchase for information relating to the proposed merger between the Company and Rio Algom Mines Limited.



# LETTER OF TRANSMITTAL FOR COMMON SHARES OF BRINCO LIMITED

To accompany certificate(s) for common shares of Brinco Limited tendered pursuant to the Offer to Purchase of the Company dated September 25, 1974, offering to purchase all of the issued and outstanding common shares of the Company.

Please read carefully the instructions on the reverse side hereof before completing this Letter of Transmittal.

TO: The Royal Trust Company  
at any one of the offices set out  
on the reverse side  
Attention: Corporate Trust Department

Date .....

Dear Sirs:

The undersigned hereby delivers to you the following share certificate(s) for common shares without nominal or par value (the "Shares") of Brinco Limited (the "Company") and accepts the offer (the "Offer") of the Company set forth in the Offer to Purchase (the "Offer to Purchase") dated September 25, 1974, upon the terms and conditions therein contained.

## PLEASE PRINT

Certificate Number	Name as it appears on Certificate(s)	Number of Shares Represented by Certificate	Number of Shares Tendered from Certificate (see Note)

If additional space is required, attach a signed schedule.

NOTE: If you desire to tender fewer than all the Shares which are evidenced by any certificate which you enclose, please indicate in this column the number which you wish to tender. Otherwise, it will be assumed that all the Shares evidenced by the enclosed certificates are tendered.

The undersigned hereby acknowledges receipt of the Offer to Purchase and represents and warrants that he is the owner of and has full authority to sell and transfer the Shares represented by the above-mentioned certificate(s) free and clear of all liens, charges and encumbrances.

In consideration of the Offer and the payment of the purchase price specified in the Offer to Purchase, the undersigned hereby sells, assigns and transfers unto the Company the Shares represented by the above-mentioned certificate(s) and hereby irrevocably appoints you as attorney for the purpose of effecting the transfer of the said Shares on the register of the Company with full power of substitution in the premises.

Please arrange for the mailing of a cheque to the undersigned by first class mail to the address for that purpose designated below. Any certificate to be issued and representing any Shares not being tendered are to be registered as designated below. If no address is designated, the last address of the undersigned as it appears on the principal register of the Company, shall be used for the mailing of cheques or registration of any shares not being tendered.

Mail cheque and register certificate for Shares not tendered as follows:

## PLEASE PRINT

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Street Address or P.O. Box)

\_\_\_\_\_  
(City and Province or State)

\_\_\_\_\_  
(Country)

SIGNATURE GUARANTEED  
(See instruction 2 on reverse side)

\_\_\_\_\_  
(Signature of Guarantor)

x \_\_\_\_\_

x \_\_\_\_\_

Signatures of Shareholders  
(as indicated on face of certificate, or authorized representative as agent—see instruction 2)

PLEASE NOTE THAT CHEQUES IN PAYMENT FOR SHARES TENDERED WILL BE DELIVERED BY MAIL ONLY

# INSTRUCTIONS

## 1. Use of Letter of Transmittal

Each owner of Shares desiring to accept the Offer should send or deliver this Letter of Transmittal, completely filled in and signed, together with the share certificate(s) described therein, to The Royal Trust Company, at one of the addresses specified below. The method of delivery of Shares to The Royal Trust Company is at the option and risk of the holder, but if mail is used, registered mail is suggested. Share certificate(s) registered in the name of the person by whom (or on whose behalf) the Letter of Transmittal is signed need not be endorsed or accompanied by any stock power other than the Letter of Transmittal itself executed in accordance with Item 2 below. Share certificate(s) not so registered must be endorsed by the registered holder(s) thereof or accompanied by stock transfer powers duly and properly completed by such registered holder(s), with signature(s) guaranteed in either case as provided in Item 2 below, and must be in proper form for transfer. The signature(s) of the registered holder(s) must correspond in every respect with the name(s) of the registered holder(s) appearing on the face of the share certificate(s).

## 2. Signature of Letter of Transmittal

(a) The Letter of Transmittal must be filled in and signed by the owner of the Shares accepting the Offer or by his duly authorized representative. Such signature must be guaranteed by a chartered bank or trust company in Canada, or by a firm having membership in a recognized Canadian stock exchange, or any commercial bank having a correspondent in New York City or any member firm of the New York Stock Exchange, or in some other manner satisfactory to The Royal Trust Company. Where the registered shareholder accepts the Offer, the signature(s) must correspond in every respect with the name(s) of the registered shareholder(s) appearing on the face of the share certificate(s).

(b) Where the Letter of Transmittal is executed on behalf of a corporation, partnership or association or by an agent, executor, administrator, trustee, tutor, curator, guardian or any person acting in a representative capacity, the Letter of Transmittal must be accompanied by satisfactory evidence of authority to act.

## 3. Additional Copies of Letter of Transmittal

If additional copies of the Letter of Transmittal are desired for any purpose, they may be obtained from The Royal Trust Company at any of the offices specified below.

### *Delivery Addresses*

**St. John's**  
The Royal Trust Company  
Royal Trust Building  
139 Water Street  
St. John's, Newfoundland

**Montreal**  
**The Royal Trust Company**  
**630 Dorchester Boulevard West**  
**Montreal, Quebec**

**Toronto**  
The Royal Trust Company  
23rd Floor  
Corporate Trust Dept.  
Royal Trust Tower  
Toronto-Dominion Centre  
Toronto, Ontario

### *Mailing Addresses*

**St. John's**  
The Royal Trust Company  
P.O. Box 5339  
St. John's, Newfoundland  
A1C 5W3

**Montreal**  
**The Royal Trust Company**  
**P.O. Box 1810**  
**Station B**  
**Montreal, P.Q.**  
**H3B 3L5**

**Toronto**  
The Royal Trust Company  
P.O. Box 7500  
Station A.  
Toronto, Ontario  
M5W 1P9

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SPACE RESERVED FOR DEPOSITARY

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Shares Tendered

---

Cash Proceeds

---

Calculated

---

Verified

---

Date Received

---

Reference Number

INSTRUCTIONS

1. Utilisation de la Lettre de Transmission

Chaque propriétaire d'Actions désirant accepter l'Offre devrait envoyer ou livrer cette Lettre de Transmission, complètement remplie et signée avec le(s) certificat(s) d'action décrit(s) dans celle-ci, à la Compagnie Trust Royal à l'une des adresses indiquées ci-dessous. La méthode de livraison des Actions à la Compagnie Trust Royal est au choix et aux risques du détenteur, mais si le courrier est utilisé, le courrier recommandé est suggéré. Le(s) certificat(s) d'action inscrit(s) au nom de la personne par qui (ou au nom de qui) la Lettre de Transmission est signée n'a ou n'ont pas besoin d'être endossé(s) ou d'être accompagné(s) par aucun pouvoir pour le transfert et la vente d'actions autre que la Lettre de Transmission elle-même remplie conformément à l'article 2 ci-dessous. Le(s) certificat(s) non inscrit(s) de cette façon doit(doivent) être endossé(s) par le(s) détenteur(s) inscrit(s) ou accompagné(s) des pouvoirs de transfert d'actions dûment et correctement remplis par le(s) détenteur(s) inscrit(s), avec signature(s) garantie(s) dans chacun des cas tel que requis à l'article 2 ci-dessous et doit(doivent) être dans une forme appropriée pour le transfert. La(les) signature(s) du(des) détenteur(s) doit(doivent) correspondre en tout point au(x) nom(s) du(des) détenteur(s) inscrit(s) apparaissant au recto du(des) certificat(s) d'action.

2. Signature de la Lettre de Transmission

(a) La Lettre de Transmission doit être remplie et signée par le propriétaire des Actions acceptant l'Offre ou par son représentant dûment autorisé. Une telle signature doit être garantie par une banque à charte ou une compagnie de fiducie au Canada, ou par une firme membre d'une bourse canadienne reconnue, ou par toute firme membre de la Bourse de New-York, ou de quelque autre manière satisfaisante à la Compagnie Trust Royal. Lorsque l'actionnaire inscrit accepte l'Offre, la(les) signature(s) doit(doivent) correspondre en tout point au(x) nom(s) de l'actionnaire(des actionnaires) inscrit(s) apparaissant au recto du(des) certificat(s) d'action.

(b) Lorsque la Lettre de Transmission est remplie au nom d'une corporation, d'une société ou d'une association ou par un agent, exécutif, administrateur, fiduciaire, tuteur, curateur, gardien ou toute personne agissant en tant que représentant, la Lettre de Transmission doit être accompagnée par une preuve suffisante du pouvoir d'agir.

3. Copies supplémentaires de la Lettre de Transmission

Si vous désirez des copies supplémentaires de la Lettre de Transmission pour quelque raison que ce soit, elles peuvent être obtenues de la Compagnie Trust Royal à n'importe lequel des bureaux indiqués ci-dessous.

Adresses de livraison

**St. John's**  
The Royal Trust Company  
Royal Trust Building  
139 Water Street  
St. John's, Newfoundland

**Montréal**  
Compagnie Trust Royal  
630 ouest, boul. Dorchester  
Montréal, Québec

**Toronto**  
The Royal Trust Company  
23rd Floor  
Corporate Trust Dept.  
Royal Trust Tower  
Toronto-Dominion Centre  
Toronto, Ontario

Adresses postales

**St. John's**  
The Royal Trust Company  
P.O. Box 5339  
St. John's, Newfoundland  
A1C 5W3

**Montréal**  
Compagnie Trust Royal  
C.P. 1810  
Station B  
Montréal, P.Q.  
H3B 3L5

**Toronto**  
The Royal Trust Company  
P.O. Box 7500  
Station A  
Toronto, Ontario  
M5W 1P9

À L'USAGE DU DÉPOSITAIRE SEULEMENT

Actions remises

Produit en espèces

Calcul

Vérité

Reçu le

Numéro de référence



LETTRE DE TRANSMISSION  
POUR LES ACTIONS ORDINAIRES DE BRINCO LIMITED

Pour accompagner le(s) certificat(s) d'action ordinaire de Brinco Limited remis conformément à l'Offre d'Achat de la Compagnie en date du 25 septembre 1974, offrant d'acheter toutes les actions ordinaires émises et en circulation de la Compagnie.

Veillez s'il vous plaît lire attentivement les instructions au verso de la présente avant de remplir cette Lettre de Transmis-

A: La Compagnie Trust Royal  
à l'un des bureaux  
indiqués au verso  
Aux soins de: Services aux sociétés

Messieurs,

Le soussigné vous remet par les présentes le(s) certificat(s) d'action suivant(s) pour les actions ordinaires sans valeur nomi-  
nale ou au pair (les "Actions") de Brinco Limited (la "Compagnie") et accepte l'Offre (l'"Offre") de la Compagnie présentée  
dans l'Offre d'Achat (l'"Offre d'Achat") en date du 25 septembre 1974, selon les termes et les conditions qui y sont contenus.

EN MAJUSCULES S'IL VOUS PLAÎT			
Numéro du certificat	Nom tel qu'il apparaît sur le(s) certificat(s)	Nombre d'Actions représentées par le certificat	Nombre d'Actions remises sur le certificat (voir note)

Si de l'espace additionnel est nécessaire, veuillez y joindre une annexe signée.

NOTE: Si vous désirez remettre moins que le total des Actions représentées par un certificat ci-joint, veuillez indiquer s'il  
vous plaît dans cette colonne le nombre que vous désirez remettre. Autrement, on présupposera que toutes les Actions  
représentées par les certificats ci-joints sont remises.

Le soussigné accuse réception par les présentes de l'Offre d'Achat et affirme et certifie qu'il est le propriétaire et a plein  
pouvoir de vendre et de transférer les Actions représentées par le(s) certificat(s) ci-dessus mentionné(s) et quitte(s)  
de tous privilèges et charges.

Eu égard à l'Offre et au règlement du prix d'achat spécifié dans l'Offre d'Achat, le soussigné vend, cède et transfère par les  
présentes à la Compagnie les Actions représentées par le(s) certificat(s) ci-dessus mentionné(s) et vous désigne irrévocable-  
ment par les présentes comme mandataire aux fins d'effectuer le transfert desdites Actions dans les registres de la Compa-  
gnie avec plein pouvoir de substitution à cet effet.

Veillez s'il vous plaît prendre toutes dispositions pour l'envoi par courrier de première classe d'un chèque au soussigné à  
l'adresse indiquée ci-dessous à cette fin. Tout certificat devant être émis et représentant toutes actions n'étant pas remises,  
devra être inscrit tel qu'indiqué ci-dessous. Si aucune adresse n'est donnée, la dernière adresse du soussigné telle qu'elle  
apparaît au registre principal de la Compagnie sera celle utilisée pour la mise à la poste des chèques ou pour l'inscription de  
toute action non remise.

EN MAJUSCULES S'IL VOUS PLAÎT

Poster le chèque et inscrire le certificat pour les actions non remises comme suit:

(Nom)

(Adresse ou case postale)

(Ville et province ou état)

(Pays)

SIGNATURE GARANTIE

(Voir instruction no. 2 au verso)

X

(Signature du garant)

Signatures des actionnaires

(telles qu'indiquées au recto du certificat, ou d'un représen-  
tant autorisé comme mandataire—voir instruction no 2)

6. GAIN EXTRAORDINAIRE:

Le 27 juin 1974, la Compagnie a vendu ses actions dans Churchill Falls (Labrador) Corporation Limited ("CFLCo") et ses autres droits de captation d'eau du Labrador incluant des renseignements et des études y afférents pour \$160,000,000 au comptant.

La Compagnie comptabilisait comme revenu sa participation au revenu net de CFLCo jusqu'au moment de la vente.

Le résultat de la vente a été un gain extraordinaire calculé de la façon suivante:

Produits de la vente.....	\$160,000,000	
Moins: Coûts estimés se rapportant à la vente.....	1,000,000	
Moins: Valeur comptable du placement dans CFLCo .....	66,033,000	
Depenses sur le Projet d'aménagement du Churchill inférieur .....	3,384,000	
Frais de premier établissement et de financement ..	2,435,000	
	71,852,000	
	<u>\$ 87,148,000</u>	

De l'avis de la Compagnie et de ses conseillers fiscaux, aucun impôt sur le revenu ne sera exigible sur la vente de ces actifs.

7. FRAIS DE PROSPECTION ET AUTRES DÉPENSES:

Les frais de prospection et les dépenses reliées aux recherches de placements possibles dans les ressources naturelles sont imputés au revenu lorsqu'encourus et ont été diminués des recouvrements de \$195,000 provenant d'associés dans les entreprises en participation.

8. IMPÔTS SUR LE REVENU:

Aux fins des impôts sur le revenu, Brinex réclame, au titre de déduction, des frais de prospection, d'amortissement et de mise en exploitation, de façon à compenser le revenu qui autrement serait imposable. Au 31 juillet 1974, l'amortissement et les sommes radiées depuis le début de l'exploitation dépassaient de \$13,600,000 les allocations réclamées aux fins d'impôts. De plus, après 1976, Brinex sera admise à réclamer les allocations d'épuisement accumulées à partir du 7 novembre 1969, pourvu qu'elle ait réalisé des bénéfices découlant de la production. Au 31 juillet 1974, le solde des frais à l'égard desquels ces allocations d'épuisement peuvent être réclamées s'élevait à \$6,500,000.

De plus, Brinex présente une perte reportée aux fins d'impôts sur le revenu.

9. BÉNÉFICE PAR ACTION:

Revenu net avant postes extraordinaires .....	\$0.19
Postes extraordinaires:	
Réduction des impôts sur le revenu .....	\$0.01
Gain sur la vente des actions de Churchill Falls (Labrador) Corporation Limited et des droits de captation d'eau du Labrador et des actifs s'y rapportant .....	3.56
Revenu net par action de la période .....	<u>3.57</u>
	<u>\$3.76</u>

Le calcul du revenu net par action a été fait par l'utilisation du nombre moyen pondéré des actions ordinaires en circulation au cours de la période. Il n'y aurait pas de dilution importante du revenu net par action si les options d'achat d'actions en cours étaient levées.

10. ENGAGEMENT ET PASSIF ÉVENTUEL:

En 1953, le Gouvernement de Terre-Neuve et la Compagnie ont conclu un contrat ("contrat principal") selon lequel la Compagnie a reçu des options sur d'importantes concessions de ressources naturelles dans la province de Terre-Neuve. Selon les dispositions du contrat principal, tel qu'amendé, la Compagnie doit payer au Gouvernement de Terre-Neuve un loyer annuel équivalant à 8% des bénéfices nets consolidés avant impôts sur le revenu (selon la définition) de la Compagnie et de ses filiales, provenant de l'exploitation des concessions et des droits accordés par le contrat principal.

Selon les termes des ententes ayant trait à la vente des titres de la Compagnie dans CFLCo et des droits de captation d'eau et des actifs s'y rapportant, la Compagnie a fourni à l'acheteur certaines garanties et représentations quant à la position financière de CFLCo et de sa filiale au 31 décembre 1973. À la connaissance de la Compagnie il n'y a aucune raison provenant de ces garanties et de ces représentations qui pourrait nécessiter un ajustement au gain extraordinaire comptabilisé lors de la vente.

11. ÉVÈNEMENT SUBSÉQUENT:

Veuillez vous reporter à la page 5 de l'Offre d'achat ci-jointe pour les renseignements relatifs à la fusion projetée de la Compagnie et de Rio Algom Mines Limited.

3. PLACEMENT DANS COSEKA COSEKA RESOURCES LIMITED ("COSEKA"):

2,000,000	Actions ordinaires	727,273
1,500,000	Débtente série "A", 8%, convertible garantie	\$1,500,000
106,000	Frais d'acquisition	
\$3,606,000		

Ultérieurement au 31 juillet 1974, la Compagnie a acquis pour une somme additionnelle de \$3,500,000 de débtente Série "B", 8%, convertible, garantie.

La débtente série "A" échoit le 7 septembre 1976 et, au gré de la Compagnie, est convertible en actions ordinaires de Coseka à raison de \$2.75 l'action. La débtente série "B" échoit le 1er août 1979 et, au gré de la Compagnie, est convertible en actions ordinaires de Coseka jusqu'au 1er août 1977 à raison de \$3.00 l'action et, par la suite sous certaines circonstances, à raison de \$3.50 l'action ordinaire.

La Compagnie a certains droits de premier choix sur tout financement par participation de Coseka. Si les débtentes série "A" et série "B" devaient être toutes converties aux termes les plus avantageux, il en résulterait pour la Compagnie une acquisition d'environ 30% des actions ayant droit de vote en circulation de Coseka. La valeur cotée au marché du placement en actions ordinaires de Coseka était de \$1,505,000 au 31 juillet 1974. Si l'on tient compte de l'importance relative de la nature de la participation de la Compagnie et du volume restreint du commerce des actions de Coseka, la valeur cotée au marché n'est pas nécessairement une indication valable de la valeur de ce placement.

4. AUTRES PLACEMENTS:

2,000,000	Actions ordinaires	727,273
1,500,000	Débtente série "A", 8%, convertible garantie	\$1,500,000
106,000	Frais d'acquisition	
\$3,606,000		

Barrier Reef:

La valeur cotée du marché du placement de la Compagnie au 31 juillet 1974 était de \$1,155,000 (\$5.95 l'action). La valeur au marché des actions de Barrier Reef le 16 septembre 1974 était de \$0.75 l'action.

Le 2 août 1974, la Compagnie a acheté 250,000 actions additionnelles au coût de \$3.50 l'action.

De plus, la Compagnie s'est vue accorder certains droits et options qui pourraient procurer à la Compagnie des droits de propriété sur approximativement 30% du capital-actions émis de Barrier Reef.

Cypress:

La valeur cotée au marché du placement de la Compagnie au 31 juillet 1974 était de \$272,000 (\$2.09 l'action). La valeur au marché des actions de Cypress au 16 septembre 1974 était de \$0.27 l'action.

La Compagnie s'est vue accorder des options d'acheter des actions additionnelles, et Brinex a une option en cours sur une propriété de Cypress avec le droit d'acquérir un intérêt maximum de 60% sur cette propriété.

5. AVOIR DES ACTIONNAIRES:

(a) Capital-actions:

(i) Les actions ordinaires sans valeur nominale ou au pair, autorisées et émises, s'établissaient ainsi au 31 juillet 1974:

Montant	Nombre d'actions
\$75,708,000	24,548,152
	35,000,000
	Emises et entièrement libérées
	Les actions suivantes ont été émises au comptant durant 1974:
Montant	Nombre d'actions
\$ 1,063,000	241,341

En vertu du régime d'options d'achat d'actions de 1970—133,001 à des membres de la direction dont certains étaient aussi administrateurs

(iii) Au 31 juillet 1974, les options en cours avaient trait à 61,333 actions—57,333 actions pour des membres de la direction dont certains étaient aussi administrateurs—et devaient être levées, à des prix variant de \$3.70 à \$5.18 l'action, au cours de périodes s'étendant jusqu'au 12 avril 1978.

(b) Dividende déclaré:

Le 16 septembre 1974 un dividende au comptant de \$1.20 l'action a été déclaré, payable le 15 octobre 1974 aux actionnaires inscrits le 25 septembre 1974.

(c) Offre aux actionnaires:

En date du 25 septembre 1974, la Compagnie a offert aux actionnaires d'acheter ses actions en circulation à \$7.07 l'action. De cette somme \$3.08 sera attribué au capital versé et le solde de \$3.99 sera présenté en réduction des bénéfices non répartis.



**BRINCO LIMITED**  
**et ses filiales**

**Notes aux états financiers consolidés**  
**31 juillet 1974**  
**(Non vérifié)**

**1. COMPAGNIES INCLUSES DANS LA CONSOLIDATION:**

Les états financiers consolidés incluent les comptes de la Compagnie et de ses filiales, à savoir:

Propriété	
100%	British Newfoundland Exploration Limited ("Brinex")
100%	Brinco (Québec) Limitée
100%	Union Holdings Incorporated
80%	Fernie Coal Mines Limited
60%	Iskut Pulpower Ltd.

**2. PLACEMENT DANS ABITIBI ASBESTOS MINING COMPANY LIMITED:**

Selon les termes d'une entente intervenue entre Abitibi Asbestos Mining Company Limited ("Abitibi") et la Compagnie en 1972 et modifiée en 1973, la Compagnie a acheté 800,000 actions de Abitibi contre une somme de \$500,000 en espèces et l'obligation de consacrer \$1,500,000 à la construction d'une usine-pilote et aux études correspondantes de mise en exploitation sur les propriétés de Abitibi qui renferment de l'amiante. L'entente, telle qu'amendée, prévoit que les dépenses de la Compagnie en sus du \$1,500,000 seront converties en actions additionnelles de Abitibi à raison d'une action pour chaque \$2.50 d'excédent, ou sous certaines conditions, que la Compagnie peut être remboursée en espèces.

Au 31 juillet 1974, la Compagnie détenait ou avait le droit d'acquérir les actions suivantes de Abitibi:

Montant	Nombre d'actions
\$3,645,000	1,486,975
576,000	230,645
\$4,221,000	1,717,620

La valeur cotée du placement dans Abitibi au 31 juillet 1974 était de \$3,435,000, mais si l'on tient compte de l'importance relative et de la nature de la participation de la Compagnie et du volume restreint du commerce des actions de Abitibi, la valeur cotée n'est pas nécessairement une indication valable de la valeur de ce placement.

Ultérieurement au 31 juillet 1974, la Compagnie a acheté ou a convenu d'acheter des actionnaires de Abitibi un total de 1,024,500 actions pour une somme de \$2,317,000. A la suite de ces achats, la Compagnie possède ou a le droit d'acquérir 2,742,120 actions, soit approximativement 51% du capital-actions en circulation de Abitibi.

Selon les termes de l'entente dont il est question ci-haut, la Compagnie a le droit de prendre une décision sur la production jusqu'en juillet 1976. Si une décision de production est prise, la Compagnie a convenu d'acquérir un nombre additionnel d'actions du trésor de façon à ce que le nombre total des actions achetées selon l'entente, telle qu'amendée, représentera 51% des actions en circulation de Abitibi. La Compagnie peut aussi être dans l'obligation, si les prêteurs qui fournissent le financement prioritaire le demandent, de donner des garanties d'achèvement et de fournir tous fonds additionnels dans le cas d'un excédent des coûts estimés du projet. De plus, si nécessaire pour fins de financement prioritaire, la Compagnie prêtera jusqu'à \$1,500,000.

Les états financiers non vérifiés de Abitibi au 30 juin 1974, présentaient la situation financière suivante:

Actif à court terme	\$ 86,000*	Passif à court terme	\$ 107,000
Propriétés minières	160,000	Dû à Brinco Limited	311,000
Frais reportés d'exploration	5,634,000	Avoir des actionnaires:	
et de développement		Capital émis	\$5,012,000 *
Actifs immobilisés—net	5,000	Moins escompte	1,512,000
		Surplus d'apport	2,632,000
		Déficit	(665,000)
	\$5,885,000		5,467,000
			\$5,885,000

\* En juillet 1974, Brinco a acheté 100,000 actions de trésorerie de Abitibi contre \$150,000 en espèces aux fins du fonds de roulement.

**BRINCO LIMITED  
et ses filiales**

**Etat consolidé de l'évolution de la situation financière  
pour les sept mois terminés le 31 juillet 1974  
(Non vérifié)**

		Produit de la vente des actions de Churchill Falls (Labrador) Corporation Limited et des droits de captation d'eau du Labrador et des actifs s'y rapportant .....	\$160,000,000	
		Moins coûts estimés se rapportant à la vente .....	1,000,000	
		Emission de capital-actions .....		1,063,000
		Exploitation courante:		
		Revenu net avant postes extraordinaires .....	4,559,000	
		Ajouter les frais n'impliquant pas de sortie de fonds:		
		Amortissement et frais relatifs à des projets radés .....	404,000	
		Provision pour impôts sur le revenu .....	240,000	
		Enlever le revenu n'impliquant pas d'entrée de fonds:	5,203,000	
		Participation au revenu net de Churchill Falls (Labrador) Corporation Limited .....	5,166,000	
		Utilisation des fonds:		
		PlACEMENT dans Abitibi Asbestos Mining Company Limited ..	984,000	
		Autres placements .....	202,000	
		Terrains, bâtiments, équipement et améliorations locatives ..	454,000	
		Frais relatifs à des projets .....	166,000	
		Augmentation des fonds .....		158,294,000
		Fonds de roulement au début de la période .....		4,948,000
		Fonds de roulement à la fin de la période .....		\$163,242,000

*Voir les notes ci-annexées.*

**BRINCO LIMITED  
et ses filiales**

**Etat consolidé du revenu et des bénéfices non répartis  
pour les sept mois terminés le 31 juillet 1974**

(Non vérifié)

Revenu:		
	Participation au revenu net de Churchill Falls	
	(Labrador) Corporation Limited (Note 6) .....	\$ 5,166,000
	Revenu de dépôts à court terme .....	1,981,000
	Revenu de Coseka Ressources Limited .....	80,000
	<b>Dépenses:</b>	
	Frais d'administration .....	825,000
	Amortissement .....	21,000
	Frais relatifs à des projets radiaux .....	383,000
	Frais de prospection et autres frais relatifs	
	aux ressources naturelles—montant net (Note 7) .....	1,032,000
	Revenu de la période avant impôts sur	
	le revenu et postes extraordinaires .....	4,966,000
	Provision pour impôts sur le revenu .....	407,000
	Revenu net de la période avant	
	postes extraordinaires .....	4,559,000
	Postes extraordinaires:	
	Réduction des impôts sur le revenu due à	
	un report de perte .....	240,000
	Gain sur la vente des actions de Churchill Falls (Labrador)	
	Corporation Limited et des droits de captation	
	d'eau du Labrador et des actifs s'y	
	rapportant (Note 6) .....	87,148,000
	Revenu net de la période (Note 9) .....	91,947,000
	Bénéfices non répartis au début de la période .....	5,434,000
	Bénéfices non répartis à la fin de la période .....	\$97,381,000

*Voir les notes ci-annexées.*



**BRINCO LIMITED**  
et ses filiales

**Bilan consolidé**  
**au 31 juillet 1974**  
(Non vérifié)

<b>Actif</b>		
<b>Actif à court terme:</b>		
Encaisse et dépôts à court terme de		
banques et de compagnie de fiducie .....	\$163,520,000	
Intérêts courus à recevoir .....	1,771,000	
Comptes à recevoir .....	347,000	
Fournitures et dépenses payées d'avance .....	146,000	\$165,784,000
Placements, au coût:		
Abitibi Asbestos Mining Company Limited (Note 2) .....	4,221,000	
Coseka Resources Limited (Note 3) .....	3,606,000	
Autres (Note 4) .....	417,000	8,244,000
Terrains, bâtiments, équipements et améliorations		
locales, au coût moins amortissement		
accumulé de \$491,000 .....		478,000
Frais relatifs à des projets, moins montants radés .....		1,125,000
		<u>\$175,631,000</u>
<b>Passif et avoir des actionnaires</b>		
<b>Passif à court terme:</b>		
Comptes à payer et passif couru .....	\$ 2,375,000	
Impôts sur le revenu à payer .....	167,000	\$ 2,542,000
Avoir des actionnaires (Note 5):		
Capital-actions .....	75,708,000	
Bénéfices non répartis .....	97,381,000	173,089,000
		<u>\$175,631,000</u>

Voir les notes ci-annexées

droits sur 14,000 acres où l'on sait avoir reconnu de la houille de chaudière aux États-Unis. Un programme de forage de reconnaissance débutera sous peu. L'acquisition d'une superficie additionnelle se poursuit présentement à la fois au Canada et aux États-Unis.

#### **Renseignements financiers**

Les états financiers suivants non vérifiés de la Compagnie et ses filiales présentent la situation financière des compagnies au 31 juillet 1974 et les résultats de leurs opérations pour les sept mois terminés à cette date.

Au 30 avril 1974, Coseka estimait son intérêt net dans les réserves de pétrole et de gaz comme suit:

	Prouvé	Probable	Total
Pétrole brut (barils)	354,000	195,000	549,000
Gaz naturel (milliards de pieds cubes)	246.90	69.13	316.03
Liquides de gaz naturel (barils)	588,695	109,245	697,940
Soufre (tonnes longues)	1,292,933	612,302	1,905,235

Les réserves sont situées principalement en Alberta dans les réservoirs peu profonds de gaz doux du sud-est et dans les profonds réservoirs de gaz acide au pied des montagnes Rocheuses. Comme seulement quelques propriétés de Coseka sont développées et en production, le degré de certitude rattaché à ces réserves est moindre que ce ne serait le cas pour des propriétés au développement plus avancé.

L'actif le plus important de Coseka est un intérêt de 34.22% qu'elle détient dans le champ de North Coleman en Alberta à environ 85 milles au sud-ouest de Calgary. Un puits foré en mars 1974 a atteint la profondeur totale de 12,830 pieds et on a pu vérifier depuis un débit potentiel de 45.0 millions de pieds cubes par jour à partir de deux ouvertures. L'impact de ce puits sur les réserves de Coseka et les apports de fonds possibles n'ont pas encore été analysés en profondeur.

L'achat plus tôt cette année d'un intérêt additionnel de 5.78% (inclus dans le 34.22% mentionné ci-dessus) dans le champ de North Coleman a augmenté d'environ un autre 26 milliards de pieds cubes le total de ses réserves de gaz naturel tel qu'estimé par Coseka ci-dessus.

La filiale à 77% de Coseka, Wharf Resources Limited, détient aussi des intérêts variés dans des propriétés contenant possiblement de l'or, du cuivre et du charbon dans certaines régions de la Colombie Britannique, de l'Alberta et de l'état du Montana.

#### Concessions de pétrole et de gaz

Brinex détient le droit exclusif jusqu'en 1979 d'explorer une région de concessions comprenant environ 5,984 milles carrés dans la partie ouest de Terre-Neuve (incluant 1,200 milles carrés à l'intérieur d'anses et de baies) pour la découverte de pétrole brut et de gaz naturel. Brinex a conclu une entente avec Développement Aigle D'Or Limitée selon laquelle les deux parties se partageront également les coûts reliés à la concession.

En 1972, une entente de sous-contrat était conclue avec Union Oil Company of Canada Limited et en 1973 un puits de forage était percé dans la région de Anquille Mountains, à 30 milles au nord de Port-Aux-Basques. Le puits fut abandonné à la profondeur de 7,800 pieds sans avoir rencontré aucun hydrocarbure. Un forage ultérieur sur cette superficie est possible mais on n'en prévoit aucun pour le moment. Comme résultat du forage du puits, Union Oil a acquis un intérêt de 50% dans environ 1,250 milles carrés de la région de la concession.

#### (C) Charbon

Au cours des deux dernières années, la Compagnie a examiné la possibilité d'acquérir des intérêts dans des gisements de charbon et dans des compagnies produisant du charbon en Amérique du Nord.

La première étape dans la mise en application de cette décision de joindre l'industrie du charbon a été l'acquisition récente par la filiale de Brinco, Union Holdings Incorporated, de



## Exploration

En plus de ses travaux sur les gisements de Kits/Michelin, Brinex a repris son programme d'exploration d'uranium et fait des recherches dans d'autres régions choisies au Labrador et dans les provinces maritimes du Canada. Une étude est aussi en marche pour déterminer des cibles éventuelles d'uranium ailleurs au Canada et aux Etats-Unis.

## Enrichissement d'uranium

En collaboration avec ses associés, Brinco a entrepris un programme aux fins de déterminer les conditions pour la construction et l'exploitation d'une installation de transformation au Canada afin de fournir sur une base commerciale de l'uranium enrichi nécessaire comme carburant dans des réacteurs nucléaires moyens à eau légère. On s'attend à ce qu'une étude globale de la rentabilité coûtera environ \$6,000,000 et prendra environ deux ans à être achevée. Les associés partageraient les coûts de l'étude de rentabilité et auraient l'opportunité de participer en tant que partenaires dans le financement d'une installation et d'entreprendre sa production si une décision est prise de la construire.

Brinco a fait une demande formelle auprès du gouvernement des Etats-Unis sous les auspices du gouvernement canadien, afin d'avoir accès à la technologie d'enrichissement américaine. Bien que le gouvernement des Etats-Unis n'ait pas encore répondu à Brinco, le gouvernement canadien a avisé la Compagnie que sa proposition a été favorablement reçue par le gouvernement des Etats-Unis et que la première phase des prochaines négociations formelles concernant cet accès traiterait des ententes commerciales.

Pour des fins de planification, Brinco considère une installation d'une grandeur semblable à celle qui a récemment été estimée aux Etats-Unis à un coût de l'ordre de \$2 milliards. Au prix actuel des services d'enrichissement, le revenu annuel d'une nouvelle installation canadienne de la taille envisagée par Brinco serait en excédent de \$400 millions. La construction d'une telle installation nécessiterait de cinq à six ans et l'installation pourrait avoir une vie utile d'au moins 40 ans. L'on estime qu'à la fin du siècle, il y aura un besoin d'une nouvelle production d'enrichissement équivalente à ce que représentent au moins 15 usines de la capacité envisagée par Brinco. Des services d'enrichissement à travers le monde sont présentement offerts principalement par trois grandes usines de diffusion gazeuse aux Etats-Unis, dirigées par la Atomic Energy Commission.

## (B) *Pétrole et gaz naturel*

L'intérêt de la Compagnie dans ce domaine se fait principalement par l'intermédiaire de son placement dans Coseka Resources Limited.

Coseka Resources Limited ("Coseka")

La Compagnie détient maintenant 727,273 actions de Coseka et un montant en principal de \$5 millions de ses débentures garanties, convertibles, à 8%. Si la Compagnie convertissait toutes ces débentures en actions selon la méthode la plus favorable, elle deviendrait approximativement 30% des actions ordinaires en circulation de Coseka à un coût moyen de \$2.91. Ces actions sont cotées à la Bourse de Vancouver et à la Bourse de Toronto et en 1974 ont été transférées à des prix variant entre \$1.20 et \$2.60.

(A) *Uranium*

Gisements d'uranium Kitts/Michelin

En 1966 Brinex a conclu une entente avec Metallgesellschaft A. G. pour explorer conjointement 1,236 milles carrés des concessions de la Compagnie, à l'ouest de Makkovik sur la côte est du Labrador.

Tonnage et catégorie  
des réserves probables  
tenant compte

En 1970, on en est arrivé à la conclusion que l'exploitation minière des gisements de Kitts/Michelin n'était pas rentable au prix mondial alors courant de l'oxyde d'uranium. Toutefois, des augmentations récentes dans les prix des contrats à long terme pour la livraison d'oxyde d'uranium ont porté Brinex à réévaluer la rentabilité d'exploitation de ces gisements.

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En juin 1974, Brinco et Marubeni Corporation ("Marubeni"), une corporation commerciale japonaise, conclurent une lettre d'intention. La lettre d'intention stipule que sous réserve de la décision de production par Brinco des propriétés d'amiante de Abitibi et de la confirmation de la disponibilité des fibres d'amiante selon les catégories et les quantités désirées, Brinco fera en sorte que Abitibi signe un contrat avec Marubeni. Selon ce contrat, Marubeni agira comme le distributeur exclusif dans certaines régions d'Asie pour la fibre d'amiante produite par Abitibi et achètera un tonnage substantiel selon des modalités attrayantes à Abitibi. L'entente est sujette à approbation par le conseil d'administration des compagnies concernées.

Brinco travaille présentement à l'achèvement d'une étude détaillée de rentabilité du développement du gisement de Abitibi. La planification de la mine avec l'aide du modèle à l'ordonnateur du gisement est présentement poursuivie par RTZ Consultants Ltd. pour établir une stratégie de développement minier et les capacités de production optimum d'une usine. On poursuit présentement d'autres travaux d'analyse à l'usine-pilote pour déterminer le processus qui maximisera la récupération de la fibre. L'échantillonnage en vrac et le forage au diamant se poursuivent présentement dans le but de délimiter plus précisément le gisement d'amiante.

L'organisation de conseil de l'entreprise en participation de SNC Services Limited et Canadian Bechtel Limited fournira à Brinco des estimations de coût en capital détaillées de la construction. Brinco ajoutera à ces estimations, ses propres estimations concernant les coûts des projets, les coûts de propriété durant la construction, les frais d'intérêt durant la construction, les frais de mise en route, le fonds de roulement et les autres coûts, pour obtenir un coût total en capital pour les analyses financières. Bien que Brinco ne soit pas encore en position de faire une estimation précise de ce coût total, on s'attend à ce que le coût total soit sensiblement plus élevé que l'estimation de Abitibi en 1971 à cause, en partie, des tendances inflationnistes.

Les analyses financières préliminaires de Brinco indiquent que la viabilité potentielle du projet est suffisamment encourageante pour Brinco pour continuer ses programmes de rentabilité et de pré-production durant le reste de 1974.

#### Pierre calcaire à ciment

La concession de Brinex sur la péninsule de Port-au-Port dans la partie ouest de Terre-Neuve contient le plus grand gisement connu de pierre calcaire de haute qualité pour la fabrication de ciment. Le plus grand gisement connu de pierre calcaire de haute qualité pour la fabrication de ciment est situé à moins de deux milles de l'eau profonde sur la rive nord-nex. La pierre calcaire est utilisée pour la fabrication de ciment, que l'on peut aussi trouver dans la concession de Brinex. La pierre calcaire est utilisée pour l'approvisionnement en vrac des marchés particulièrement dans la zone est des États-Unis mais aussi en Europe et au centre du Canada.

Brinex a conclu une entente avec Lehigh Portland Cement Company ("Lehigh"), Allenstown, Pennsylvanie, pour étudier la rentabilité d'une usine d'une capacité d'un million de tonnes par année à Port-au-Port. Le forage au diamant a révélé plus de 300 millions de tonnes de pierre calcaire et des quantités importantes de dépôt d'argile.

Cette année, Reid Crowther Bendy International Limited, spécialiste d'ingénierie dans la fabrication du ciment, a été retenu pour entreprendre une évaluation technique. On chargea d'autres experts en ingénierie de l'étude des installations du port et du terminus, des services connexes, du transport et des approvisionnements en carburant. Les coûts de ces études seront partagés également entre Lehigh et Brinex. Les études d'évaluation se déroulent selon les prévisions et les rapports définitifs seront remis avant la fin de l'année. Si le projet est commercialement viable, Lehigh et Brinex incorporeront une nouvelle compagnie qui opérera le projet et dans laquelle il est entendu que Lehigh sera l'actionnaire majoritaire.



Brinco considèrerait essentiel de mener un programme d'échantillonnage souterrain en vrac sur une grande échelle, pour déterminer la qualité et l'ampleur du gisement d'amiante d'Abitibi. Ce programme a été considéré nécessaire puisqu'il devait servir de base à l'étude de rentabilité du projet de Abitibi. Le développement du site pour cette enquête a débuté en juillet 1972.

En mars 1973, une usine-pilote capable de traiter jusqu'à 30 tonnes de minéral porteur de fibre par jour a été construite sur le site. L'usine-pilote utilise de l'équipement à l'échelle commerciale et permet une série de procédés alternatifs. On a aussi établi un laboratoire de contrôle de la qualité sur le site.

Au cours de 1972, on reprit les travaux de forage et les travaux souterrains au niveau de 200 pieds. Le développement souterrain a été prolongé de plus de 1,570 pieds dans les zones centrale et ouest du gisement. On a prolongé le développement souterrain d'un autre 500 pieds environ dans la zone est au cours de 1974.

Entre mars et décembre 1973, on broya 26 échantillons en vrac à partir de 1,570 pieds de croisements minéralisés des zones centre et ouest du gisement. L'usine-pilote de broyage traita 120 tonnes de fibre et les analyses des résultats ont permis de déterminer à quel point les échantillons en vrac étaient en corrélation avec les valeurs indiquées par le forage au diamant dans les emplacements adjacents.

En même temps, Brinco développait un modèle à l'ordinateur du gisement basé sur les données obtenues par le forage au diamant d'une surface d'environ 80,000 pieds completé par Abitibi avant avril 1972. En comparant les résultats du broyage des échantillons en vrac au modèle, on peut supposer de façon précise le tonnage éventuel et la valeur des récupérations du minéral porteur d'amiante réparti dans le gisement.

Sur cette base, Brinco estime présentement le gisement à 100 millions de tonnes contenant 3.5% de fibre d'amiante récupérable. Cette estimation de la roche minéralisée est moindre que l'estimation précédente calculée par les conseillers de Abitibi en 1971 de 105 millions de tonnes avec 4.0% de fibre récupérable composée des groupes 4, 5 et 6 (l'information disponible à ce moment était toutefois insuffisante pour permettre des estimations du pourcentage de chaque catégorie individuellement). Toutefois, bien que Brinco ne sera pas en position de déterminer de façon finale le tonnage éventuel du gisement avant l'achèvement définitif des études de rentabilité, l'estimation plus faible provient d'une part d'une approche différente dans l'évaluation de la fibre et d'autre part d'une conception de l'exploitation à ciel ouvert légèrement plus petite. L'estimation de 1971 prévoyait le déplacement de 45 millions de verges cubes de mort-terrain et 178 millions de tonnes de minéral de rebut. Brinco évalue que le développement du gisement nécessitera le débâlement d'environ 38 millions de verges cubes de mort-terrain et, approximativement 120 millions de tonnes de minéral de rebut.

Un montant considérable de fibre a été distribué aux clients éventuels à travers le monde. Des tests de laboratoire de même que des tests à l'échelle commerciale ont confirmé que la fibre Abitibi est d'une qualité supérieure avec des caractéristiques de fil-trage et de résistance répondant très bien aux exigences de l'industrie du ciment d'amiante.

Une situation de pénurie de chrysotile d'amiante s'est développée en 1974 et on s'attend à ce qu'elle persiste dans l'avenir prévisible. Il semblerait que des volumes importants de fibre de haute qualité pourraient être rapidement absorbés par la demande mondiale actuelle.

Brinex participe dans deux entreprises en participation impliquant des recherches aériennes géophysiques sur des régions minières établies dans le nord du Québec qui ont pour but de rechercher des gisements de cuivre enfouis profondément.

Dans la première entreprise en participation, avec Kennco Explorations (Canada) Limited et La Société de Développement de la Baie James, des zones sélectionnées ont été jalonnées et des études de sol géophysiques ultérieures furent entreprises cette année pour être suivies par un forage au diamant. La seconde entreprise en participation implique Beth-Canada Mining Company, La Société de Développement de la Baie James, Groupe Minier Sullivan Ltée et Progeminex Limitée. Une quantité substantielle de recherches aériennes et quelques recherches géophysiques sur le terrain ont été complétées et plus de 100 claims ont été jalonnées.

#### Terre-Neuve

Depuis 1953, la province de Terre-Neuve a accordé à Brinco des droits exclusifs d'exploration pour les minéraux, incluant le pétrole et le gaz, sur une grande superficie de Terre-Neuve et de son territoire continental du Labrador.

Des portions de la superficie originale de la concession ont déjà été rendues, mais la Compagnie conserve encore un total de 24,766 milles carrés, dont 20,242 milles carrés se situent au Labrador et 4,524 se situent sur l'île de Terre-Neuve.

L'exploration de la côte ouest de Terre-Neuve, dans la région de Corner Brook-Bonne Bay, a identifié un certain nombre de cibles de plomb-zinc par des recherches géochimiques. Une entente d'entreprise en participation avec Freeport Canadian Exploration Company a été conclue pour l'exploration de 1,200 milles carrés de strates contenant possiblement du plomb-zinc. Plusieurs emplacements marqués sont présentement en train d'être forés et creusés.

## 2. Minéraux industriels

### Abitibi Asbestos Mining Company Limited ("Abitibi")

Abitibi est le propriétaire d'un des plus grands gisements connus d'amiante non exploités de monde occidental. Ce gisement est situé dans le canton de Maizerets, à 52 milles au nord d'Amos, au Québec. En avril 1972, Brinco a conclu une entente suivant laquelle, sous réserve de l'exécution de certaines conditions, Brinco peut acquérir jusqu'à concurrence d'un intérêt de 51% dans Abitibi par l'acquisition d'actions de trésorerie à \$2.50 l'action. Au 31 juillet 1974, la Compagnie avait dépensé \$4,044,000 conformément à l'entente et avait acquis ou est en droit d'acquérir un total de 1,617,620 actions de Abitibi. La Compagnie prévoit qu'à la fin de 1974, approximativement 529,000 actions additionnelles auront été acquises en résultat des dépenses de travail additionnel. En plus de celles prévues dans l'entente, la Compagnie a aussi acheté 100,000 actions additionnelles de trésorerie de Abitibi et a acheté ou a convenu d'acheter un total de 1,024,500 actions d'autres actionnaires. En conséquence, à la fin de 1974, Brinco possèdera 56% des actions alors en circulation de Abitibi. Si Brinco acquiert le reste des actions auxquelles elle peut avoir droit suivant l'entente, elle détiendra 65% des actions en circulation. Les actions de Abitibi sont cotées à la Bourse de Montréal, et en 1974 ont été transigées à des prix variant entre 90 cents et \$2.15. Ce qui suit résume le travail fait sur le principal gisement d'amiante de Abitibi:

Avant l'exécution de l'entente avec Brinco en avril 1972, approximativement \$2 millions avaient été dépensés par Abitibi et d'autres parties principalement pour l'exploration du gisement principal d'amiante. Abitibi estimait en 1971 que le coût global en capital de mise en exploitation du gisement serait approximativement de \$60 millions pour une capacité annuelle de 150,000 tonnes de fibre; ce montant contient, comprend-on, une allocation couvrant les exigences du fonds de roulement initial.

Entre avril 1972 et le 31 juillet 1974, approximativement \$3.5 millions ont été dépensés par Brinco dans le travail d'évaluation conformément à cette entente. Au cours de cette période, Brinco a poursuivi un programme global d'évaluation afin de déterminer la rentabilité du développement du gisement.



*L'île de Vancouver*

Brinex détient 42 claims dans la région de Klaskino Inlet sur l'île de Vancouver. La prospection a révélé une minéralisation de cuivre aux teneurs allant de 0.1% dans des régions d'effluement limité jusqu'à 1.0% dans des zones locales. Le forage au diamant avec de l'équipement léger a été poursuivi durant l'été dernier mais la continuité de la minéralisation n'a pas encore été établie. L'exploration régionale et détaillée se poursuit.

#### *Centre de la Colombie britannique*

L'exploration de gisements de porphyre cuivreux dans la région de Babine Lake au centre de la Colombie britannique a été entreprise sur une petite échelle au cours de 1974.

#### *Territoires du Nord-Ouest*

Brinex détient un intérêt d'un tiers dans une entreprise en participation avec Canadian Superior Exploration Limited et Home Oil Company Limited pour explorer une partie de l'île Cornwallis. En 1974, du travail de géologie, de géochimie, et de géophysique, de même qu'un programme de forage de 7,000 pieds, ont été entrepris sur des anomalies de plomb-zinc avec des croisements minéralisés qui ont été rencontrés dans deux des 12 puits.

Sur l'île Ellesmere, Brinex a un intérêt d'un tiers dans une entreprise en participation avec Texas Gulf Inc., et Great Plains Development Company of Canada Ltd. qui recherche une minéralisation de plomb-zinc. On a entrepris un programme de travail de poursuite sur les présences de minéralisation et les anomalies géochimiques connues dans d'autres emplacements des Territoires du Nord-Ouest en participation égale avec Barrier Reef. Un programme de reconnaissance pour le plomb-zinc est aussi entrepris ailleurs dans l'Arctique par les géologues de Brinex.

#### *Territoire du Yukon*

En plus d'une participation dans Barrier Reef et Cypress, Brinex détient un intérêt de 40% dans une entreprise en participation avec Mitsubishi Corporation et Ventures West Capital Ltd. pour entreprendre une exploration de reconnaissance de cibles potentielles de zinc dans le territoire du Yukon. Plusieurs emplacements minéralisés ont été identifiés et quelques terrains ont été acquis par jalonnement.

#### *Etats-Unis (Etat de Washington)*

En vertu d'une entente d'une entreprise en participation de décembre 1973 avec United States Borax and Chemical Corporation (une filiale de The Rio Tinto-Zinc Corporation Limited, l'actionnaire principal de Brinco), Callahan Mining Corporation et Union Holdings Incorporated, la filiale américaine à part entière de Brinco, un programme de forage est en cours sur une propriété dans Stevens County, Etat de Washington, sur laquelle une mine était auparavant exploitée par American Smelting and Refining Co. La propriété est située à environ 35 milles de la fonderie de Cominco à Trail, Colombie britannique, et à 130 milles de la fonderie de Bunker Hill à Kellogg, Idaho. Selon l'entente, United States Borax et Union peuvent chacune obtenir un intérêt jusqu'à concurrence de 25.5% dans la propriété à condition de faire des dépenses de \$300,000 d'ici juin 1978. Un programme de forage a été commencé en 1974 pour poursuivre l'exploration qui avait été commencée par Callahan en 1971 pour tester les nouvelles interprétations de données géologiques obtenues à partir d'exploitations minières précédentes. Des résultats récents indiquent la présence d'au moins 3.87 millions de tonnes d'une teneur approximative de 4.12% de zinc et de 0.53% de plomb. Toutefois, aux prix actuels du zinc, on ne considère pas encore le tonnage indiqué jusqu'ici suffisant pour garantir la reprise des opérations d'exploitations minières et de broyage. Le programme de forage actuel doit se terminer cet automne au moment où United States Borax et Union auront encouru des dépenses d'environ \$115,000 chacun. Selon Brinco, les résultats jusqu'à présent justifieraient un élargissement du programme d'exploration.



Bien que les résultats initiaux soient encourageants, il est trop tôt pour évaluer le potentiel de la propriété ou la quantité de travail d'exploration additionnel qui sera nécessaire pour déterminer l'existence d'un filon. La Compagnie comprend que Barrier Reef annoncera de temps en temps les résultats des forages ultérieurs à la Bourse de Vancouver, les- quels seront aussi communiqués à la presse.

#### Cypress Resources Limited ("Cypress")

En mai, la Compagnie a acheté 130,000 actions de Cypress pour un coût total de \$204,000; ce montant doit être utilisé pour entreprendre un programme d'exploration sur 120 concessions détenues par Cypress dans la région de la rivière Bonnet Plume. Ces concessions sont situées à environ 10 milles à l'ouest des concessions Goz Creek de Barrier Reef. La Compagnie possède aussi une option, pouvant être exercée avant le 1er mars 1975, d'acheter 130,000 actions de trésorerie supplémentaires de Cypress à \$1.75 l'action. Les actions de Cypress sont cotées à la Bourse de Vancouver et durant 1974 se sont trans- gées à des prix variant entre 25 cents et \$2.29.

Brinex a conclu une entente d'option avec Cypress selon laquelle Brinex peut acquérir jusqu'à concurrence d'un intérêt de 60% dans la propriété en la portant en production ou en faisant des dépenses de travaux spécifiques totalisant un maximum de \$4 millions ré- parties sur une période de huit ans. Pour que l'option demeure en force Brinex doit aussi faire des versements annuels ne dépassant pas \$50,000 à Cypress. Les résultats d'analyse des deux premiers forages effectués sur la portion ouest de la propriété montrent des va- leurs faibles en zinc. Aucune analyse n'a été reçue pour cinq forages effectués dans la zone centrale de la propriété, mais des estimations visuelles nous amènent à penser que la mi- néralisation ne serait pas d'une haute teneur. La partie sud de la propriété n'a pas encore été sondée.

#### Nordore Mining Co. Ltd. ("Nordore")

La Compagnie a conclu une entente pour l'achat de 300,000 actions de trésorerie de Nordore pour \$150,000. Nordore détient des concessions minières, principalement au Québec, où elle a fait de la prospection pour le cuivre et l'or. Elle poursuit aussi un pro- gramme de développement comme associée ordinaire dans une société en commandite qui détient 12 concessions minières où l'on a trouvé une minéralisation d'argent et d'or dans la "Skeena Mining Division" de la Colombie britannique. Les actions de Nordore sont cotées à la Bourse de Montréal et durant 1974 se sont transgées à des prix variant entre 40 cents et 62 cents.

### (B) Programmes d'exploration

#### Colombie britannique

L'exploration pour le cuivre, le plomb et le zinc se poursuit dans les régions suivantes:

#### *Région de Robb Lake, nord-est de la Colombie britannique*

Une minéralisation de plomb-zinc a été rencontrée dans les claims détenus dans cette région par Brinex, mais la quantité commerciale et la teneur n'ont pas encore été déterminées. Des rapports détaillés, concernant les résultats du travail d'exploration ef- fectué au cours de l'été passé, ne sont pas encore disponibles. En plus de ses propres propriétés dans la région de Robb Lake, Brinex détient de Zenith Mining Corporation Ltd. une option de travaux sur une propriété dans laquelle Brinex peut obtenir une par- ticipation de 70% en faisant des dépenses d'exploitation. Les résultats d'un programme de forage au diamant afin d'évaluer la propriété de Zenith n'ont pas été encourageants. Dans au moins trois autres emplacements de la région de Robb Lake, on poursuit un travail géologique et géochimique détaillé, afin de mieux délimiter les emplacements connus de minéralisation de plomb-zinc pour un forage ultérieur au diamant. Tout tra- vai dans la région de Robb Lake est poursuivi en participation avec Metallgesellschaft A. G., une compagnie ouest-allemande qui a le droit, en définitive, d'obtenir 40% des intérêts de Brinex dans toute découverte d'une valeur commerciale.

On distingue trois principaux domaines dans les activités courantes de la Compagnie:

**1. Les métaux courants**

Avec une insistance particulière sur le zinc, la Compagnie a de nombreux intérêts dans des propriétés, soit (A) de façon indirecte par une participation dans le capital d'autres corporations ou (B) de façon directe par des programmes d'exploration qui sont menés par la filiale à part entière de la Compagnie, British Newfoundland Exploration Limited ("Brinex"), et par d'autres programmes dans lesquels les filiales de la Compagnie sont des participants d'une entreprise en participation.

**2. Les minéraux industriels**

La Compagnie concentre ses efforts sur l'amiante et la pierre calcaire pour le ciment. On s'attend à ce que la pénurie d'ordre mondial qui sévit présentement dans certaines sortes de fibres d'amiante, persiste dans un avenir prévisible.

**3. Les ressources énergétiques**

Les différents intérêts de la Compagnie dans divers types de ressources énergétiques incluent l'uranium, le gaz naturel, le pétrole et le charbon.

**1. Les métaux courants**

**(A) Participation dans des compagnies**

La Compagnie a acquis une participation dans trois compagnies — Barrier Reef Resources Ltd. (N.P.L.), Cypress Resources Limited et Nordore Mining Co. Ltd. — les deux premières ayant des droits de propriété importants dans la région de la rivière Bonnet Plume sur le territoire du Yukon. Cette région a retenu l'attention au cours des récents mois à cause de la découverte d'une minéralisation considérable de zinc.

Barrier Reef Resources Ltd. (N.P.L.) ("Barrier Reef")

La Compagnie détient présentement 444,100 actions de Barrier Reef, desquelles 250,000 actions de trésorerie furent acquises en août, à \$3.50 l'action, afin de fournir les fonds requis pour l'exploitation de la propriété de Goz Creek de Barrier Reef dans la région de la rivière Bonnet Plume. De plus, Barrier Reef a octroyé à la Compagnie une option, pouvant être exercée le ou avant le 30 septembre 1975, d'acheter 250,000 actions de trésorerie additionnelles de Barrier Reef à \$4.50 l'action afin de fournir des fonds supplémentaires pour l'exploration de la propriété de Goz Creek. La Compagnie a aussi le droit de fournir ou d'organiser le financement de l'exploitation pour la propriété de Goz Creek en retour de quoi la Compagnie recevra 500,000 actions supplémentaires de Barrier Reef. Si la Compagnie acquerrait toutes les actions ci-haut mentionnées, elle posséderait approximativement 30% du capital émis de Barrier Reef. Les actions de Barrier Reef sont cotées à la Bourse de Vancouver et en 1974 ont été transigées à des prix variant entre 70 cents et \$6.60.

La propriété de Goz Creek est située en terrain montagneux, avec des élévations comprises entre 3,700 pieds et 6,300 pieds, à environ 120 milles au sud du Cercle Arctique et 125 milles au nord-ouest de Mayo dans le territoire du Yukon. Actuellement la propriété n'est accessible que par avion. Les exploitations minières les plus proches sont à Keno Hill, à environ 100 milles au sud-est.

Jusqu'au 7 septembre 1974, Barrier Reef avait complété 18 forages sur la propriété sur une longueur d'approximativement 1,000 pieds de gisement. Les résultats d'analyses ont été reçus pour 13 forages dont 10 contenaient une minéralisation de sulfure de zinc d'une teneur de zinc entre 2.5% et 32.0% pour des veines allant de 32 pieds à 162 pieds. La zone minéralisée a été rencontrée à environ 100 pieds sous la surface.

Le 25 septembre 1974

## CIRCULAIRE D'INFORMATION

Sauf indication contraire, cette circulaire d'information est préparée en date du 16 septembre 1974 et les renseignements financiers qui l'accompagnent sont du 31 juillet 1974.

Depuis juin 1974, alors que Brinco a reçu \$160 millions en espèces de la province de Terre-Neuve pour la vente des actifs d'énergie hydraulique de la Compagnie, Brinco a augmenté ses placements dans Abitibi Asbestos Mining Company Limited, Coseka Resources Limited et Barrier Reef Resources Ltd. (N.P.L.). Au 31 août 1974, Brinco avait un excédent de \$155 millions en espèces et en dépôts à court terme en plus de placements substantiels dans plusieurs compagnies d'exploration et d'exploitation de ressources.

À part l'actif à court terme, lequel comprenait au 31 juillet 1974 l'encaisse en main et des dépôts à court terme de \$163,520,000, les actifs de la Compagnie étaient représentés par les placements suivants montrés au coût moins les montants radlés:

Les chiffres de juillet et août sont montrés pour refléter les changements qui ont eu lieu depuis le 31 juillet, date des états financiers ci-joints.		
31 août 1974	31 juillet 1974	
\$ 6,766,000	\$ 4,221,000	Abitibi Asbestos Mining Company Limited .....
7,106,000	3,606,000	Coseka Resources Limited .....
1,088,000	213,000	Barrier Reef Resources Ltd. (N.P.L.) .....
204,000	204,000	Cypress Resources Limited .....
15,164,000	8,244,000	Terrains, bâtiments, équipement et améliorations locatives .....
458,000	478,000	Coûts capitalisés de projets .....
1,148,000	1,125,000	
\$16,770,000	\$ 9,847,000	

Tous les frais d'exploration dépensés sur les concessions de Terre-Neuve et du Labrador, sur l'intérêt dans le gisement d'uranium de Kitts/Michelin au Labrador, et dans diverses entreprises d'exploration au Canada et aux États-Unis—se chiffrant approximativement à \$13 millions au 31 décembre 1973—ont été effacés et aucune valeur résiduelle n'est reflétée dans les chiffres ci-dessus. Jusqu'au 30 juin 1974, les intérêts de la Compagnie dans Churchill Falls représentaient la quasi-totalité de ses gains.

Le revenu présent de la Compagnie provient presque entièrement de l'intérêt aux taux courants tiré de ses dépôts à court terme.



En général, les actionnaires ne résidant pas au Canada ne seront pas assujettis à l'impôt canadien sur tout gain réalisé sur tel échange d'actions en vertu des lois actuelles, non plus qu'ils ne seraient assujettis à l'impôt en vertu de toutes dispositions semblables à celles proposées dans le budget du 6 mai 1974.

## AUTRES JURIDICTIONS

### Dividende spécial

Tous les actionnaires assujettis à l'impôt dans d'autres juridictions devraient consulter leurs conseillers fiscaux quant à l'imposition par ces autres juridictions du Dividende de surplus de capital.

### L'Offre

On conseille à tous les actionnaires assujettis à l'impôt dans d'autres juridictions remettant leurs actions pour achat, en particulier ceux qui remettent moins que le total de leurs actions, de consulter leurs conseillers fiscaux en ce qui concerne les conséquences fiscales de la remise des actions conformément à l'Offre et l'application des lois pertinentes et des règlements s'appliquant aux circonstances particulières.

À cet effet, aucun impôt canadien spécial ne fut payé pour créer le surplus de capital en main en 1971 à même lequel le Dividende de surplus de capital et le Second dividende de surplus de capital seront présumés être payés.

### Fusion et Offre d'échange

Tous les actionnaires assujettis à l'impôt dans d'autres juridictions devraient consulter leurs conseillers fiscaux quant à l'imposition par ces autres juridictions de la Fusion ou de l'Offre d'échange.

BRINCO LIMITED

Par (signé) W. D. Mulholland  
Président  
(signé) M. C. Burnes  
Secrétaire

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On peut se procurer du Dépositaire des copies supplémentaires de cette Offre d'Achat et de la Lettre de Transmission, aux adresses indiquées ci-dessus.

main en 1971 de la Compagnie (un tel dividende étant désigné comme "Second dividende de surplus de capita"). Ce Second dividende de surplus de capital est considéré comme un retour de capital (effectivement un produit additionnel de disposition) à cet actionnaire et n'est pas imposable entre ses mains comme dividende.

Qu'un actionnaire résidant au Canada ait alors un gain, une perte ou aucun gain ni aucune perte quant à toute action achetée conformément à l'Offre, dépendra du prix de base rajusté pour chaque action immédiatement avant l'achat. En calculant sa position de gain ou de perte, le Second dividende de surplus de capital par action est déduit du prix d'achat de \$7.07 l'action et du prix de base rajusté de chaque action achetée. Le "produit" réduit de \$3.08 par action est alors comparé au prix de base rajusté réduit pour déterminer le gain ou la perte. Lorsque la réduction du prix de base rajusté pour le Second dividende de surplus de capital produit un montant négatif, celui-ci devrait être ajouté au produit de \$3.08 afin de donner le gain par action. Lorsque cette réduction donne un montant positif, celui-ci devrait être déduit du produit de \$3.08 afin de donner le gain par action. Lorsque cet actionnaire détient l'Action comme bien de capital, la moitié de tout gain sera comprise dans son revenu comme gain en capital imposable.

Le traitement fiscal précédent concernant l'Offre a été confirmé dans une décision anticipée en matière d'impôt sur le revenu reçu du Ministère du Revenu national (Canada). Les actionnaires ne résidant pas au Canada ne seront pas assujettis à l'impôt canadien quant à tout gain réalisé sur l'achat de leurs actions par la Compagnie. De plus, le Second dividende de surplus de capital présumé être reçu par eux lors de cette transaction ne sera pas assujetti aux retenues d'impôt à la source des non résidents.

## Fusion

Aux termes de la législation actuelle, et pourvu que les actionnaires ordinaires de Brinco, en tant que groupe, ne reçoivent rien d'autre que des actions ordinaires comptant pour au moins 25% des actions ordinaires de la compagnie fusionnée, la transaction serait un échange libre d'impôt, aux fins de l'impôt canadien, pour les actionnaires résidant au Canada et ailleurs. Le prix de base rajusté pour chaque actionnaire résidant au Canada de ses actions de Brinco se reporterait et formerait le prix de base rajusté des actions ordinaires que cet actionnaire recevrait de la compagnie fusionnée. Le budget du 6 mai 1974 du gouvernement fédéral (qui n'a pas été sanctionné) proposait entre autres choses d'éliminer cette exigence de 25% et le prochain budget pourrait contenir une proposition semblable.

## Offre d'échange

Il n'y a présentement pas de disposition dans la législation fiscale canadienne pour des échanges libres d'impôt action pour action. De façon générale, tout actionnaire de Brinco résidant au Canada qui échange ses actions contre des actions ordinaires de Rio Algom serait donc assujetti aux dispositions canadiennes sur les gains en capital et serait considéré avoir disposé de ses actions de Brinco aux fins de l'impôt canadien pour un produit égal à la juste valeur marchande des actions ordinaires de Rio Algom au moment de l'échange. Que l'actionnaire résidant au Canada ait un gain, une perte ou ni l'un ni l'autre relativement à chaque action de Brinco échangée dépendra du prix de base rajusté de cette action immédiatement avant l'échange.

Si le prochain budget du gouvernement fédéral adopte des dispositions d'échange action pour action semblables à celles du budget du 6 mai 1974, et en autant qu'aucune considération ne soit reçue par un actionnaire résidant au Canada pour ses actions de Brinco, autre que des actions ordinaires de Rio Algom en général, cet actionnaire aurait un échange libre d'impôt de ses actions de Brinco pour des actions ordinaires de Rio Algom, le prix de base rajusté de ses actions de Brinco devenant le prix de base rajusté de ses actions ordinaires de Rio Algom. Tout ceci en supposant que ces amendements aux lois fiscales seraient mis en vigueur par les provinces du Canada aussi bien que par le gouvernement fédéral et que tels amendements seraient en vigueur au moment de l'échange.

## VARIATION DU COURS DU MARCHÉ ET VOLUME DES TRANSACTIONS DES ACTIONS DE BRINCO

Ce qui suit est un tableau démontrant la variation des cours et le volume d'actions à la Bourse de Montréal ("B.M.") et à la Bourse de Toronto ("B.T.") durant la période de six mois précédant la date de l'Offre.

Mois	Haut	Bas	Activité	Haut	Bas	Activité
Mars	5 1/2	5 1/4	3,200	5 1/2	5 1/4	23,500
Avril	6 7/8	6 3/8	63,358	6 7/8	6 1/4	199,300
Mai	6 5/8	6 3/8	128,381	6 5/8	6 3/8	213,900
Juin	6 5/8	6 1/2	44,953	6 3/4	6 1/2	187,000
Juillet	6 3/4	6 1/2	30,158	6 3/4	6 1/2	90,300
Août	6 3/4	6 3/4	69,376	6 7/8	6 3/4	103,083
Sept. 1-12	6 7/8	6 3/4	27,625	6 7/8	6 3/4	43,092
Sept. 17-19	8 1/8	7 3/4	107,616	8 1/8	7 3/4	240,242

Le 11 mars 1974, avant l'ouverture de la B.M. et de la B.T., les transactions ont été suspendues à la demande du gouvernement de Terre-Neuve. La dernière transaction avant cette demande a été faite à un prix de \$5.25 l'action. Cette suspension s'est poursuivie jusqu'au 1er avril 1974.

Le dernier prix de vente le 12 septembre 1974 à la B.M. et à la B.T. a été de \$6.75 l'action. Les transactions ont été suspendues le 13 septembre 1974 et le 16 septembre 1974 par la B.M. et la B.T., à la demande de la Compagnie, en attendant l'annonce du dividende spécial et de la fusion projetée.

### CONSÉQUENCES FISCALES

Les renseignements suivants ont été fournis par les conseillers fiscaux de la Compagnie et concernent tous les actionnaires de Brinco autres que RTZ et les compagnies apparentées, qui détiennent leurs actions comme des biens en capital.

### CANADA

#### Dividende spécial

Le 16 septembre 1974, la Compagnie a déclaré un dividende en espèces de \$1.20 par action. La Compagnie choisira en vertu de la Loi de l'impôt sur le revenu (Canada) et de la Loi sur les impôts (Québec), avant la date où ce dividende (ci-après appelé un "Dividende de surplus de capital") de- vient payable, de le presumer comme étant payé à même le surplus de capital en main en 1971 de la Compagnie. Aux fins de l'impôt canadien sur le revenu, la réception d'un dividende à même le surplus de capital en main en 1971 par un actionnaire résidant au Canada est considérée, en prati- que, comme un retour de capital et n'est pas imposable comme revenu de dividende dans les mains de l'actionnaire. Cet actionnaire doit cependant réduire le prix de base rajusté de ses actions du montant du Dividende de surplus de capital reçu. Les compagnies actionnaires devraient comprendre le montant du Dividende de surplus de capital dans le calcul de leur propre surplus de capital en main en 1971, lorsqu'il y a lieu. Les actionnaires ne résidant pas au Canada ne seront pas sujets à la retenue d'impôt canadien des non résidents sur le Dividende de surplus de capital. Les actionnaires non résidents ne sont en général pas assujettis à l'impôt canadien sur les gains en capital quant aux actions et n'ont donc pas à retenir le prix de base rajusté de leurs actions aux fins de l'impôt canadien sur le revenu.

### L'Offre

Tout actionnaire dont les actions sont rachetées conformément à l'Offre sera présumé avoir reçu un retour de capital (produit de disposition) par action égal au capital versé d'environ \$3.08 attribuable à chaque action. Cet actionnaire sera aussi présumé avoir reçu un dividende par action d'environ \$3.99, soit la différence entre \$7.07 et le capital versé approximatif par action. La Compa- gnie se propose d'effectuer un choix selon la Loi de l'impôt sur le revenu (Canada) et la Loi sur les impôts (Québec) de sorte que ce dividende présumé soit payé à même le Surplus de capital en



## Exemple 1

Supposons que (i) chaque action de Brinco est évaluée à \$7.30;

(ii) le prix moyen pondéré par action ordinaire de Rio Algom est de \$24.

Sur la base des hypothèses qui précèdent, le nombre d'actions ordinaires de Rio Algom déterminé en vertu de la clause (iii) du paragraphe 5 sera le quotient obtenu en divisant \$73 par \$24, c'est-à-dire 3.041666; cependant, comme 10 actions de Brinco ne peuvent équivaloir à plus de 3 actions ordinaires de Rio Algom, le nombre d'actions ordinaires de Rio Algom ainsi déterminé devient 3. Une action ordinaire de la Compagnie Fusionnée sera émise pour 3.333 actions de Brinco puisque le quotient obtenu en divisant 10 par 3 est 3.333.

## Exemple 2

Supposons que (i) chaque action de Brinco est évaluée à \$7.30;

(ii) le prix moyen pondéré par action ordinaire de Rio Algom est de \$26.

Sur la base des hypothèses qui précèdent, le nombre d'actions ordinaires de Rio Algom déterminé en vertu de la clause (iii) du paragraphe 5 sera le quotient obtenu en divisant \$73 par \$26, c'est-à-dire 2.807692. Une action ordinaire de la Compagnie Fusionnée sera émise pour 3.562 actions de Brinco puisque le quotient obtenu en divisant 10 par 2.807692 est 3.561644.

## Rio Algom

Rio Algom est une importante compagnie de l'Ontario ayant plus de 13,000 actionnaires ordinaires et ses actions sont cotées aux Bourses de Montréal, Toronto et à l'American Stock Exchange. Rio Algom opère directement et par l'entremise de filiales dans deux principaux domaines: les mines et l'acier. L'exploitation minière de Rio Algom consiste en exploration et extraction de minerais et de minéraux et ses principaux produits, l'oxyde d'uranium, le cuivre et le molybdène, sont mis en marché sous forme de concentré. Son exploitation de l'acier consiste en production et en mise en marché, pour usinage plus avancé par des acheteurs indépendants, d'une grande variété de produits usinés, et en mise en marché de produits de métal achetés d'autres manufacturiers.

## Exploitation minière

L'exploitation de l'uranium par Rio Algom consiste en extraction et traitement du minerai d'uranium afin de produire de l'oxyde d'uranium en concentrés. Ces opérations se font dans la région d'Elliott Lake, en Ontario, et dans le comté de San Juan dans l'état du Utah. L'exploitation du cuivre de Rio Algom consiste en extraction et traitement de minerai porteur de cuivre et certains autres minéraux sous forme de concentrés pour vente à des acheteurs indépendants qui les fondront et les raffineront. Ces opérations se font dans la région de Highland Valley en Colombie britannique par Lornex Mining Corporation Ltd., détenue à 56.15% par Rio Algom, et à Mines de Poirier dans la région de Joutel, au Québec par Rio Algom.

## Exploitation de l'acier

La principale activité de l'exploitation de l'acier de Rio Algom consiste en production et mise en marché d'acier inoxydable et d'aciers spéciaux. La production est conduite sous le nom "Atlas Steels" aux usines de Welland, Ontario et de Tracy, Québec. Cette production exige la conversion d'acier de rebut et de matériaux d'alliages en une grande variété de produits usinés tels que billettes, barres, pièces forgées, feuilles, feuillets et tôles qui sont utilisés par des acheteurs indépendants dans la fabrication de produits à utilisation terminale. La mise en marché est assurée directement et par un réseau de distribution par centres de service ainsi que par des filiales, sous le nom "Atlas Alloys". Atlas Alloys met en marché en Amérique du Nord et ailleurs et les produits d'acier fabriqués par Atlas Steels et de l'acier et autres produits achetés de tiers.

- vernementaux nécessaires pour la fusion n'étaient pas reçus alors, pourvu que les consentements et approbations nécessaires pourraient être obtenus à des termes et conditions acceptables à Rio Algom et que les lois d'impôt sur le revenu existant présentement au Canada et tel qu'amendées par le budget proposé étaient alors en vigueur, Rio Algom ferait une offre d'échange d'actions aux actionnaires de Brinco. Tout échange d'actions serait conditionnel à l'obtention par Rio Algom de plus de 50% des actions de Brinco en circulation;
4. L'offre de Brinco donnerait les détails de la fusion proposée et demeurerait ouverte pour acceptation par les actionnaires de Brinco jusqu'à une date aussi rapprochée que raisonnablement possible de la date de la mise en vigueur de la fusion afin de permettre aux actionnaires de Brinco de considérer les mérites d'accepter l'offre ou de continuer comme actionnaire de la corporation fusionnée;
5. Pour fins de la fusion, des valeurs relatives seraient établies pour les actions de Brinco et les actions ordinaires de Rio Algom tel qu'il suit:
- (i) Chaque action de Brinco (ex-dividende spécial mentionné au paragraphe 1 ci-dessus) serait, sous réserve de la clause (vi) ci-dessous, évaluée à \$7.30;
- (iii) La valeur de l'action ordinaire de Rio Algom serait le prix moyen pondéré par action de toutes les actions ordinaires de Rio Algom égal au quotient obtenu en divisant \$7.30 par la valeur de l'action ordinaire de Rio Algom déterminée conformément à (iii) ci-dessus mais en aucune circonstance les dix actions de Brinco ne seraient équivalentes à plus de trois actions ordinaires de Rio Algom;
- (iiii) Dix actions de Brinco évaluées à \$7.30 par action seraient équivalentes au nombre d'actions ordinaires de Rio Algom égal au quotient obtenu en divisant \$7.30 par la valeur de l'action ordinaire de Rio Algom déterminée conformément à (iii) ci-dessus mais en aucune circonstance les dix actions de Brinco ne seraient équivalentes à plus de trois actions ordinaires de Rio Algom;
- (iv) Si le regroupement est fait par fusion, une action ordinaire de Rio Algom serait convertie en une action ordinaire de la Compagnie Fusionnée. Une action de la Compagnie Fusionnée serait émise pour le nombre d'actions de Brinco qui est égal au quotient obtenu en divisant dix par le nombre d'actions ordinaires de Rio Algom déterminé suivant (iii) ci-dessus;
- (v) Si la fusion était effectuée par échange d'actions, des valeurs relatives et des coefficients d'échange seraient établis par les mêmes moyens mais les actions émises en échange d'actions de Brinco seraient des actions de Rio Algom;
- (vi) Si une fusion de Brinco et Rio Algom était effectuée après le 31 décembre 1974 et avant le 31 mars 1975 alors, pour les fins de (i) et (iii) ci-dessus, la valeur de chaque action de Brinco serait augmentée de \$.05 pour chaque demi-mois de l'année civile expirant après le 31 décembre 1974 et avant la date de la mise en vigueur de la fusion;
- (Voir ci-après Annexe A pour des exemples de calcul)
6. Si, au 31 mars 1975, tous les approbations et consentements gouvernementaux pour la fusion n'avaient pas, de l'avis raisonnable de l'une ou l'autre partie, été obtenus, alors Rio Algom ou Brinco pourraient choisir de ne pas réaliser la fusion; et
7. Si, après le 16 septembre 1974 et avant la date de la mise en vigueur de la fusion, Brinco devait changer ou devenir obligé de changer son capital autorisé ou émis (sauf à l'exercice de droits d'achat d'actions existants des employés), encourrait une obligation ou un passif additionnel important, ou changeait de façon significative toute obligation en existence, sans le consentement écrit préalable de Rio Algom, alors Rio Algom pourrait choisir de ne pas réaliser la fusion. Rien n'obligerait l'une ou l'autre compagnie à réaliser le regroupement par voie de fusion si un changement adverse important devait survenir dans la situation financière ou les affaires de l'autre compagnie.



chaque mois par la suite pendant que l'Offre est ouverte et à la Date d'Expiration sont désignées comme "Date d'inscription de la Remise".

Aussitôt que possible après chaque Date d'inscription de la Remise, la Compagnie achètera les actions qui ont été dûment remises au Dépositaire conformément à l'Offre avant la Date d'inscription de la Remise. Les chèques de la Compagnie en paiement pour de telles actions seront émis au nom de la Compagnie, par le Dépositaire, payables en fonds canadiens et expédiés par courrier de première classe aux actionnaires remettant aussitôt que possible par la suite.

#### **Droit de retrait**

Toute remise d'actions suivant les modalités ci-mentionnées peut être annulée et de telles actions peuvent être retirées en tout temps avant la Date d'inscription de la Remise applicable à ces actions par un avis écrit au Dépositaire de l'actionnaire remettant ou de son mandataire autorisé. Un tel avis, pour être valide, devra être en la possession du Dépositaire à la Date d'inscription de la Remise.

#### **RAISONS DE L'OFFRE**

Conformément aux ententes avec le gouvernement de Terre-Neuve ("Gouvernement") et The Newfoundland Industrial Development Corporation ("NIDC"), une société de la couronne, l'intérêt de participation de la Compagnie dans Churchill Falls (Labrador) Corporation Limited, ses droits aux chantiers d'énergie hydraulique au Labrador, et ses plans, ses estimés et autre documentation et information s'y rapportant furent transférés au gouvernement et à NIDC pour un prix de \$160,000,000 en espèces. Considérant l'important changement dans les affaires de la Compagnie résultant de cette vente, la Compagnie désirait donner aux actionnaires l'occasion de recevoir un montant en espèces égal au montant proposé par le Gouvernement dans la législation introduite pour acquérir les actions. En conséquence, l'Offre et le prix de \$7.07 l'action répondent aux exigences de ces ententes. Une législation spéciale a été promulguée conformément à ces ententes dans le but de permettre à la Compagnie d'émettre cette Offre. Les actions achetées conformément à l'Offre ne seront pas annulées, mais seront gardées dans le Trésor de la Compagnie. De telles actions peuvent être revendues de temps à autre par la Compagnie à des prix et selon des modalités et conditions que le conseil d'administration peut décider.

#### **DIVIDENDE SPÉCIAL**

Le 16 septembre 1974, le conseil d'administration de la Compagnie déclarait un dividende spécial de \$1.20 par action payable le 15 octobre 1974, aux actionnaires inscrits le 25 septembre 1974. Veuillez vous référer aux "Conséquences fiscales" à la page 8, pour une explication du traitement de ce dividende aux fins de l'impôt canadien.

#### **LA FUSION PROJETÉE**

Des renseignements complets sur la fusion projetée seront fournis aux actionnaires aussitôt que possible.

#### **Points d'Entente**

Vous lirez ci-dessous certaines dispositions des points d'entente approuvés par les conseils d'administration respectifs de la Compagnie et de Rio Algom le 16 septembre 1974.

1. Il a été reconnu que Brinco paierait un dividende de \$1.20 par action au cours d'octobre 1974 à même le surplus de capital en main en 1971;
2. Il a été aussi entendu que Brinco, au plus tard le 25 septembre 1974, ferait une offre à ses actionnaires aux fins d'acheter les actions de Brinco qui pourraient être remises au cours de la période d'offre à un prix de \$7.07 l'action. Cette offre prévoirait que toutes les actions remises le ou avant le 25 octobre 1974 seraient acceptées et payées par Brinco le ou vers le 1er novembre 1974 et par la suite au cours de la période d'offre à intervalles réguliers;
3. Il a été de plus entendu que la fusion statuaire en vertu des lois de l'Ontario serait la méthode préférable de fusionnement des deux compagnies. Si les approbations et consentements gou-



De plus, RTZ et Thornwood se sont engagées à exercer les droits de vote afférents aux actions ordinaires détenues à titre de véritable propriétaire ou contrôlées par eux dans Brinco et Rio Algom en faveur de la Fusion, si le regroupement proposé prenait cette forme. Elles ont aussi l'intention d'échanger leurs actions contre des actions de Rio Algom si le regroupement projeté se fait par échange d'actions.

L'Offre s'adresse à tous les actionnaires dont le nom apparaît dans les registres de la Compagnie aux bureaux de son registraire et agent de transfert, la Compagnie Trust Royal à la fermeture des affaires le 25 septembre 1974. La Compagnie Trust Royal (à ses principaux bureaux dans les villes de St. John's, Montréal et Toronto seulement) agit aussi comme le dépositaire de l'Offre (le "Dépositaire"). L'Offre peut aussi être acceptée par les successeurs et ayants droit de tels actionnaires (y compris les personnes qui deviendront actionnaires après le 25 septembre 1974 mais avant la Date d'Expiration), et la Compagnie acceptera les remises des actions de ces tels successeurs et ayants droit (y compris les actionnaires ultérieurs) reçues avant la Date d'Expiration s'ils se soumettent aux modalités de l'Offre.

Tout actionnaire qui désire accepter l'Offre en tout ou en partie doit compléter la Lettre de Transmission selon les instructions contenues dans cette lettre et expédier la Lettre de Transmission avec son ou ses Certificats d'Actions au Dépositaire de façon à ce qu'ils soient entre les mains du Dépositaire à la Date d'Expiration définie ci-dessous.

## MODALITÉS DE L'OFFRE

### Date d'Expiration

À moins qu'elle ne soit prolongée, l'Offre expirera à 17 heures, heure de Montréal selon le plus récent de (1) (a) une date à être déterminée et qui se situera entre la date de mise à la poste de l'avis d'assemblée des actionnaires de la Compagnie convoquée pour approuver la Fusion et la date à laquelle se tiendra cette assemblée ou (b) une date à être déterminée et qui se situera après le début mais avant l'expiration de l'Offre d'Echange, ou (2) le 31 mars 1975. Relativement à (1) ci-dessus, il est entendu que l'Offre demeurera ouverte pour une période raisonnable après que les actionnaires auront été avisés de la date à laquelle l'Offre prendra fin.

### Modalités pour la remise des actions

L'Offre ne pourra être acceptée que par livraison directe ou envoi par la poste au Dépositaire, à son bureau principal, dans l'une des villes de St. John's, Montréal ou Toronto, du certificat ou des certificats représentant les actions pour lesquelles l'Offre est acceptée, accompagnée(s) par une Lettre de Transmission dûment complétée et signée. Les actionnaires qui désirent accepter l'Offre devaient retirer et compléter la Lettre de Transmission présentée à la page 28. Tout certificat et toute Lettre de Transmission devra parvenir à n'importe lequel des bureaux du Dépositaire mentionnés plus haut, au plus tard à la Date d'Expiration. Pour les actionnaires qui choisissent de remettre seulement quelques-unes de leurs actions représentées par un certificat, un nouveau certificat d'actions sera émis pour les actions non remises. Les instructions à suivre par ces actionnaires sont incluses dans la Lettre de Transmission.

*On conseille aux actionnaires qui préfèrent expédier leurs certificats par le courrier d'utiliser le courrier recommandé pour leur propre protection.*

La Lettre de Transmission et l'acceptation de l'Offre représentée de cette façon constitueront une entente entre l'actionnaire remettant et la Compagnie, conformément aux modalités ci-mentionnées et aux modalités de la Lettre de Transmission, seulement lorsque le Dépositaire aura en sa possession la Lettre de Transmission dûment signée et le(s) certificat(s) représentant les actions remises.

La Compagnie décidera toutes les questions touchant la validité, la forme, l'éligibilité et l'acceptation des actions remises et ses décisions seront finales et lieront les parties.

### Paiement du prix d'achat

Aux fins des présentes, 17 heures, heure de Montréal le 25 octobre 1974, le dernier vendredi de

**OFFRE D'ACHAT  
D' ACTIONS ORDINAIRES  
POUR UN PRIX EN ESPÈCES DE \$7.07 L'ACTION**

Le 25 septembre 1974

Aux détenteurs d'actions ordinaires de Brinco Limited:

Brinco Limited ("Compagnie") offre par la présente ("Offre") d'acheter à un prix de \$7.07\* l'action, en espèces, en tout ou en partie ses actions ordinaires émises et en circulation sans valeur nominale ou au pair (les "Actions"). L'Offre est faite selon les modalités ci-incluses et incluses dans la Lettre de Transmission ci-jointe et les instructions contenues dans cette lettre ("Lettre de Transmission").

Chaque actionnaire devrait évaluer attentivement toute l'information contenue dans cette offre et dans la circulaire d'information ci-jointe ("Circulaire d'information") avant de décider d'accepter l'Offre. Des états financiers non vérifiés de la Compagnie et de ses filiales en date du 31 juillet 1974 et pour les sept mois terminés à cette date vous sont donnés à partir de la page 22. Les états financiers vérifiés de 1973 sont inclus dans le rapport annuel de la Compagnie qui fut posté à tous les actionnaires. Vous pouvez obtenir des copies additionnelles du rapport annuel du secrétaire de la Compagnie.

Les actionnaires devraient prendre note de façon spéciale du fait que les conseils d'administration respectifs de Rio Algom Mines Limited ("Rio Algom") et de la Compagnie ont approuvé des points d'entente relatifs à la fusion\*\* des deux compagnies qui prendra la forme soit d'une fusion de la Compagnie et de Rio Algom (la "Fusion") en une corporation qui seule subsistera ("Compagnie fusionnée") ou d'une offre d'échange d'actions avec Rio Algom ("Offre d'Echange"). La transaction projetée est décrite en détail sous la rubrique "Fusion projetée" à la page 5. Veuillez aussi vous reporter aux "Conséquences fiscales", à la page 8 pour une discussion des conséquences fiscales pour les actionnaires de Brinco sous la Fusion ou l'Offre d'Echange.

En date du 16 septembre 1974, il y avait 24,608,485 actions en circulation. De ce nombre, The Rio Tinto-Zinc Corporation Limited ("RTZ") détenait directement 100 actions à cette date. Sa filiale à part entière, Tinto Holdings Canada Limited, détenait directement 6,100 actions et détenait 80% de Thornwood Investments Limited ("Thornwood"), qui à son tour détenait 12,113,831 actions. De cette façon, RTZ contrôlait un total de 12,120,031 actions, ou à peu près 49.3% de toutes les actions en circulation. Bethlehem Steel Corporation ("Bethlehem"), par l'entremise d'une filiale à part entière, est un actionnaire minoritaire à 20% de Thornwood.

En date du 16 septembre 1974, il y avait 12,261,139 actions ordinaires en circulation de Rio Algom. À cette date, Preston Mines Limited, qui était détenue par RTZ à titre de véritable propriétaire, détenait 5,382,400 actions ordinaires de Rio Algom, représentant 43.90% de ces actions. De plus, à cette date RTZ était le véritable propriétaire de 1,932,039 actions ordinaires additionnelles de Rio Algom, représentant 15.76% de ces actions. De cette façon, RTZ contrôlait un total de 7,314,439 actions ordinaires de Rio Algom, représentant 59.66% de ces actions en circulation.

RTZ et Thornwood qui détenaient ensemble à titre de véritable propriétaire ou contrôlent 12,120,031 Actions de la Compagnie ont décidé qu'aucune de ces Actions ne sera remise en acceptation de l'Offre. En conséquence, le nombre maximum d'Actions qui pourrait être remises conformément à l'Offre est de 12,488,454 actions, constituant à peu près 50.7% des Actions en circulation. Le prix d'achat global maximum est donc de \$88,293,370. La Compagnie achètera toutes les Actions dûment remises à la Date d'Expiration (comme défini ci-après).

\*Toutes les références ci-incluses sont en fonds canadiens.

\*\*Le terme "fusion" est ici utilisé dans son sens financier général comme comprenant tout regroupement des affaires de deux compagnies distinctes.



tion si l'offre d'achat faite dans le texte ci-joint est acceptée ou (2) un ensemble comprenant le dividende spécial de \$1.20 l'action plus des actions d'une compagnie issue de la fusion, (ou si la transaction s'effectue par voie d'une offre d'échange, des actions de Rio Algom).

L'on devrait noter que les dispositions pour l'évaluation de l'action dans la possibilité (2) sont complexes et que la valeur des actions à être reçues pour les actions de Brinco serait déterminée par la valeur au marché des actions de Rio Algom au cours d'une période à venir et pourrait varier vers le haut ou vers le bas de la valeur courante des actions de Rio Algom. En conséquence, nous demandons aux actionnaires d'étudier avec soin les détails de l'entente avec Rio Algom résumés dans l'Offre d'achat ci-jointe; certains voudront peut-être consulter leurs conseillers financiers.

Le regroupement de Brinco et de Rio Algom surviendra lorsque certaines exigences légales auront été satisfaites, y compris l'approbation de certaines autorités gouvernementales et organismes de réglementation et, dans le cas de fusion, après l'approbation des actionnaires des deux compagnies, tel que requis par la législation pertinente. (Si tous les consentements et approbations gouvernementaux n'ont pas, de l'avis raisonnable de l'une ou l'autre compagnie, été obtenus au 31 mars 1975, l'une ou l'autre compagnie pourra choisir de ne pas réaliser le regroupement.)

L'offre de la Compagnie d'acheter ses actions pour \$7.07 en espèces demeurera ouverte jusqu'à tout avant la réalisation du regroupement afin de donner aux actionnaires assez de temps pour leur permettre de considérer les possibilités qui leurs sont offertes.

The Rio Tinto-Zinc Corporation qui, directement ou par l'entremise de filiales, contrôle environ 49.3% des actions en circulation de Brinco et 59.7% des actions en circulation de Rio Algom s'est engagée à ne pas accepter l'offre en espèces de \$7.07 l'action et de voter proportionnellement aux actions qu'elle contrôle dans chaque compagnie de façon à permettre la réalisation de la fusion. Elle s'est aussi engagée à échanger ses actions de Brinco contre des actions de Rio Algom si la transaction prend la forme d'un échange d'actions plutôt que d'une fusion.

Vos administrateurs se plaisent de voir que les actionnaires de Brinco ont maintenant l'opportunité de participer dans une imposante compagnie de ressources, qui verse des dividendes, dans laquelle les actifs de Brinco formeront une partie importante. D'autre part, les actionnaires dont les objectifs de placement ne sont pas satisfaits par cette participation auront l'occasion de réaliser sur leur placement en actions de Brinco un prix qui, considérant le dividende spécial mentionné plus haut, est plus représentatif de la valeur intrinsèque de leurs actions de Brinco.

Nous insistons pour que chaque actionnaire lise et considère avec attention les renseignements inclus ci-joints avant de prendre sa décision. Des renseignements complets et entiers sur le regroupement projeté de Brinco et de Rio Algom proposé vous seront fournis aussitôt que possible.

(Signé) R. D. Mulholland  
président du conseil

(Signé) W. D. Mulholland  
président



Le 25 septembre 1974

## À TOUTS LES ACTIONNAIRES:

Vous trouverez ci-joint une offre de Brinco Limited aux fins d'acheter ses actions ordinaires en circulation à un prix de \$7.07 l'action, une circulaire d'information relative aux affaires présentes de Brinco ainsi que des états financiers consolidés non vérifiés en date du 31 juillet 1974.

Il est assez inusité qu'une compagnie canadienne offre d'acheter ses propres actions. Toutefois, la récente vente au gouvernement de Terre-Neuve des actifs d'énergie hydraulique de la compagnie—y compris son placement dans Churchill Falls (Labrador) Corporation Limited—fut un événement assez inhabituel pour la Compagnie et a entraîné un changement important dans les affaires et l'actif de votre Compagnie.

Le 18 mars 1974, après des négociations prolongées, le gouvernement de Terre-Neuve a informé la Compagnie que si son actionnaire majoritaire acceptait de vendre ses actions de Brinco au gouvernement à un prix de \$7.07 l'action, la province ferait une offre similaire à tous ses actionnaires autres que les actionnaires résidant aux États-Unis. Vos administrateurs et leurs conseillers financiers n'ont pas considéré ce prix comme juste et raisonnable et d'autres négociations ont résulté en une entente selon laquelle la Compagnie acceptait de vendre ses actifs d'énergie hydraulique pour \$160 millions tout en conservant ses autres actifs.

Vos administrateurs et leurs conseillers financiers étaient d'avis que le produit de cette vente, représentant approximativement \$6.53 l'action, et la valeur par action des actifs qui subsistent représentent une valeur totale plus grande que le montant de \$7.07 l'action qui aurait été versé aux actionnaires en vertu de l'acquisition projetée des actions de Brinco par le Gouvernement.

Il fallait cependant reconnaître que, considérant le changement important dans les affaires de votre Compagnie résultant de la vente de ses actifs d'énergie hydraulique, certains actionnaires pourraient préférer recevoir en espèces le montant proposé par Terre-Neuve. La Compagnie a donc convenu de présenter, en deçà de 90 jours de la conclusion de la vente à Terre-Neuve, une offre de racheter ses actions au prix de \$7.07 l'action.

Au cours des semaines qui suivirent, vos administrateurs et la direction ont étudié diverses possibilités aux fins de trouver celle qui promettait le plus grand bénéfice aux actionnaires. La Compagnie a récemment conclu une entente avec Rio Algom Mines Limited qui, croit-elle, offre aux actionnaires l'occasion de bénéficier du potentiel des entreprises de la Compagnie dans une situation bien plus favorable que celle qui aurait été possible selon les propositions antérieures. Les administrateurs ont aussi déclaré un dividende spécial en espèces d'un montant de \$1.20 l'action et payable le 15 octobre 1974 aux actionnaires inscrits le 25 septembre 1974. La Compagnie fera le choix nécessaire permettant le versement du dividende spécial à même le surplus de capital en mains en 1971; elle a été avisée que le dividende ne sera pas imposable au Canada comme revenu de dividende dans les mains des actionnaires résidant au Canada mais qu'il réduira le prix de base de leurs actions. Quant aux actionnaires non résidents, la Compagnie a été avisée que le dividende ne donnera pas lieu à une retenue canadienne d'impôt. Conséquemment, après le paiement du dividende spécial de \$1.20, les actionnaires auront le choix d'accepter \$7.07 pour leurs actions de Brinco conformément à l'offre accompagnant cette lettre ou de participer dans une compagnie résultant d'un regroupement de Brinco et de Rio Algom.

La méthode de regroupement qui semble préférable est celle de fusion statutaire des deux compagnies. Si la fusion ne peut pas être réalisée, Rio Algom offrira d'échanger ses actions pour des actions de Brinco. Les détails des ententes sont présentés sous les rubriques "Regroupement projeté" et "Conséquences fiscales" dans le texte ci-joint. Les actionnaires de Brinco ont donc la possibilité de recevoir ou (1) \$8.27 par action en espèces, comprenant un dividende spécial de \$1.20 l'action, payable le 15 octobre 1974 aux actionnaires inscrits le 25 septembre 1974 plus \$7.07 l'action.

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# Brinco Limited

## Contenu

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Offre d'achat d'actions  
Circulaire d'information  
États financiers  
Lettre de transmission

Le 25 septembre 1974

**AR30**

**NOTICE**  
**of Annual and Extraordinary**  
**General Meeting**

NOTICE is hereby given that the Annual and Extraordinary General Meeting of Brinco Limited (the "Company") will be held in Galerie No. 4 of the Queen Elizabeth Hotel, Montreal, Quebec, at 2:30 p.m. (Montreal Time) on Thursday, March 20, 1975:

1. To consider the Company's accounts and balance sheet and the reports of the directors and auditors for the year ended December 31, 1974 and, if thought fit, pass as an Ordinary Resolution, Resolution No. 1, entitled "Accounts and Reports";
2. To consider and, if thought fit, pass as a Special Resolution, Resolution No. 2, entitled "Alternate Directors";
3. To consider and, if thought fit, pass as an Ordinary Resolution, Resolution No. 3, entitled "1975 Stock Option Plan";
4. To elect directors;
5. To appoint auditors and authorize the directors to fix their remuneration;
6. To transact such other business of the Company as may properly come before the Meeting.

The Resolutions referred to above are set forth on the following page.

Any Shareholder who is unable to attend the Meeting in person is entitled to be represented by a proxy and is requested, after referring to the pertinent sections of the attached Information Circular, to date, sign and return the enclosed form of proxy to The Royal Trust Company, P.O. Box 1810, Station "B", Montreal H3B 3L5, Province of Quebec, not less than forty-eight hours before the time fixed for the Meeting. A proxy need not be a Shareholder of the Company.

Dated this 17th day of February, 1975.

By Order of the Board

M. C. Burnes

Secretary

Attached hereto:

Information Circular

Enclosed herewith:

Form of Proxy

Addressed envelope

(Version française au verso)

## RESOLUTIONS

Resolution No. 1 — To be Proposed as an Ordinary Resolution “Accounts and Reports”

RESOLVED

THAT the Company's accounts and balance sheet and the reports of the directors and auditors for the year ended December 31, 1974 be and they are hereby adopted.

Resolution No. 2 — To be Proposed as a Special Resolution “Alternate Directors”

RESOLVED

THAT the Articles of Association of the Company are hereby amended by adding to Article 66 as it presently exists, the following additional paragraphs:

Each Director shall have the power, subject to the approval of the Board, to appoint any person to act as alternate Director in his place during his absence and may at his discretion remove or, with the approval of the Board, replace such alternate Director. A person so appointed shall, in the absence of his appointor, have all the rights, duties and powers of a Director during the period of his appointment (apart from the power to appoint an alternate ) and shall be subject in all respects to the terms and conditions existing with reference to the other Directors of the Company, and each alternate Director, while so acting in such appointor's absence, shall exercise and discharge all the functions, powers and duties of his appointor in his capacity as a Director. The entitlement of alternate Directors to remuneration shall be determined by the Board. An alternate Director shall ipso facto cease to be an alternate Director if his appointor ceases for any reason to be a Director, provided that if any Director retires at an Annual General Meeting but is re-elected at the same Meeting, any appointment made by him pursuant to this Article which was in force immediately before his retirement shall remain in force as though he had not retired.

All appointments and removals of an alternate Director shall be effected by instrument in writing delivered to the Chairman and the Secretary and signed by the appointor.

Resolution No. 3 — To be proposed as an Ordinary Resolution “1975 Stock Option Plan”

RESOLVED

THAT the Stock Option Plan for employees, adopted by the Board of Directors of the Company on February 6, 1975, be and it is hereby adopted.



## INFORMATION CIRCULAR

This Information Circular is furnished in accordance with the provisions of The Securities Act of Ontario, c. 426, R.S.O. 1970, as amended, in connection with the solicitation by the management of Brinco Limited (hereinafter sometimes called the "Company") of proxies to be voted at the Annual and Extraordinary General Meeting of the Company (the "Meeting"), to be held on the date and for the purposes set forth in the accompanying Notice of the said Meeting. The information contained herein is given as of the 17th day of February, 1975.

### Solicitation of Proxies

In addition to the present solicitation by management, proxies may also be solicited on behalf of management by directors, officers and regular employees of the Company, by mail, by telegram or by telephone. The cost of solicitation, which is expected to be nominal, will be borne by the Company.

### Particulars of Special Matters To Be Acted Upon

At the meeting, Shareholders will be asked to: —

- (a) pass a Special Resolution (Resolution No. 2 — Alternate Directors) amending the Company's Articles of Association, to give a director the right to appoint a person, approved by the Company's Board of Directors, as an alternate director to act in his place during his absence. Additional details such as the powers and term of alternate directors will be found in the text of the proposed amendment to the Company's Articles of Association.
- (b) pass an Ordinary Resolution (Resolution No. 3 — "1975 Stock Option Plan") approving the Stock Option Plan which was adopted by the Board of Directors on February 6, 1975, under which options in respect of unissued common shares of the Company may be granted to full time employees of the Company and its subsidiaries. Subject to appropriate adjustments in the event of changes in the capitalization of the Company, the number of common shares in respect of which options may be granted is limited to 200,000. The Plan will be administered by a committee consisting of three members of the Board of Directors, including the President and Chief Executive Officer, which may at any time prior to May 1, 1980 grant options having a duration of not more than five years. Options may be granted at prices of not less than 90% of the market price as defined in the Plan when the market price exceeds \$5 per share and not less than 85% of such market price when the market price is not more than \$5 per share. Subject to the limitation contained in the Plan, the number of common shares subject to each option and the terms of each option will be such as the committee granting such options may decide. Under the Plan the directors retain the right to amend or discontinue it. The Plan will not become effective unless it is approved by the Shareholders of the Company. Copies of the Plan are available for inspection during normal business hours at the offices of the Company, One Westmount Square, Montreal, Quebec H3Z 2X5.

### Election of Directors

At the last Annual Meeting of Shareholders held on June 27th, 1974, Shareholders elected 19 directors. Pursuant to the powers conferred upon the Board of Directors by the Company's Articles of Association, the Board recently adopted a resolution whereby, effective from the close or adjournment of the Meeting, the number of directors will be reduced from 19 to 11.

The shares represented by the proxies hereby solicited will be voted for the election of each of the proposed nominees listed below (or for substitute nominees in the event of contingencies not known at the date hereof). Each such nominee who is elected a director shall hold office until his retirement at the close or adjournment of the next following Annual General Meeting, unless his office is vacated earlier, as provided in the Articles of Association of the Company. The Company's Articles of Association state that at every Annual General Meeting all of the directors for the time being shall retire from office and that any retiring director or any person shall be eligible for re-election, election or appointment as a director provided that he has not attained the age of seventy (70).

## PROPOSED NOMINEES FOR ELECTION

The following directors who will retire at the close or adjournment of this Annual and Extraordinary General Meeting, will be eligible for re-election at the Meeting: —

<i>Name and Offices held with the Company</i>	<i>Period of Service as a Director (From)</i>	<i>Common Shares of the Company beneficially owned, directly or indirectly</i>
E. Jacques Courtois, Q.C.	April 1973	500
Paul G. Desmarais	April 1969	100
Sir Val Duncan, O.B.E.* (Chairman of Executive Committee)	April 1953 to July 1963; and from October 1963	None
Lewis W. Foy	April 1969	1,000
Jean-Paul Gignac, Eng.	January 1970	100
Sam Harris*	July 1963	1,000
Hiro Hiyama	April 1973	None
Harry W. Macdonell, Q.C.* (President and Chief Executive Officer)	April 1971	100
Edmund L. de Rothschild, T.D.	June 1954	None
Harold L. Snyder, P.Eng.	January 1975	135

\*Member of the Executive Committee of the Board of Directors.

The following proposed nominee will be eligible for election at the Meeting: —

<i>Name</i>	<i>Common Shares of the Company beneficially owned, directly or indirectly</i>
George Baker	None

## PRINCIPAL OCCUPATION OF PROPOSED NOMINEES FOR ELECTION

Set out below is the principal occupation or employment of each person proposed to be nominated for election as a director, and, in respect of George Baker and Harold L. Snyder, the principal occupations or employments within the five preceding years:

George Baker, Vice President and General Manager of Tinto Holdings Canada Limited since 1969.

E. Jacques Courtois, a partner of Messrs. Laing, Weldon, Courtois, Clarkson, Parsons & Tétrault, advocates, barristers and solicitors.

Paul G. Desmarais, Chairman and Chief Executive Officer of Power Corporation of Canada, Limited, an investment and management company.

Sir Val (John Valette) Duncan, Chairman and Chief Executive of The Rio Tinto-Zinc Corporation Limited, an international mining and industrial corporation, of London, England.

Lewis W. Foy, Chairman of Bethlehem Steel Corporation, manufacturer of steel and steel products with Headquarters in Bethlehem, Pa., U.S.A.

Jean-Paul Gignac, President and Chief Executive Officer of Sidbec-Dosco, manufacturer of steel and steel products.

Sam Harris, a senior partner of Fried, Frank, Harris, Shriver and Jacobson, attorneys-at-law, of New York, U.S.A.



Hiro Hiyama, President of Marubeni Corporation, a trading company of Tokyo, Japan.

Harry W. Macdonell, President and Chief Executive Officer of the Company.

Edmund Leopold de Rothschild, Chairman of N.M. Rothschild & Sons Limited, Merchant Bankers, of London, England.

Harold L. Snyder, Vice-President of the Company since May 1970 and from 1970 until 1974 the Executive Vice-President of Churchill Falls (Labrador) Corporation Limited ("Churchill Falls"). He joined Churchill Falls in 1964 and was appointed a Vice-President of it in 1969. On March 1, 1975, Mr. Snyder will be taking up new duties as the Director of the Centre for Cold Ocean Resources Engineering at Memorial University, St. John's, Newfoundland.

### **Appointment of Auditors**

It is intended that the shares represented by the proxies hereby solicited will be voted for the reappointment of Peat, Marwick, Mitchell & Co., 1155 Dorchester Blvd. West, Montreal, Quebec, as auditors of the Company to hold office until the next Annual General Meeting of the Company and for the authorization of the directors to fix their remuneration.

### **Voting Shares and Principal Holders Thereof**

On September 25, 1974 the Company made an offer to purchase from its Shareholders the issued and outstanding common shares of the Company for a purchase price of \$7.07 per share. As of February 7th, 1975, the Company had purchased and holds in its treasury 9,454,757 common shares. As of the date hereof, an additional 83,367 shares have been tendered for purchase and if not withdrawn will be purchased. The offer to Shareholders expires on March 31, 1975. The common shares purchased will not be cancelled and may be resold from time to time by the Company at such prices and on such terms and conditions as the Board of Directors may determine.

As of February 7, 1975 there were outstanding in the hands of its Shareholders 15,154,728 common shares of the Company without nominal or par value.

The common shares of the Company are the only class of shares of the Company that are issued and entitled to be voted at the Meeting. If the additional 83,367 common shares tendered pursuant to the Company's offer to purchase shares are purchased, there will be issued and outstanding and entitled to vote at the Meeting, 15,071,361 common shares. There may be further common shares tendered for purchase between February 17th and 28th, 1975 inclusive. The purchase of these tendered shares would further reduce the outstanding common shares entitled to be voted at the Meeting.

To the knowledge of the directors and senior officers of the Company, the only person or corporation which beneficially owns (within the meaning of The Securities Act (Ontario) ), directly or indirectly, more than 10% of the outstanding common shares of the Company is The Rio Tinto-Zinc Corporation Limited, 6 St. James's Square, London, England ("RTZ"). At the date hereof, RTZ owns 100 common shares directly, and through a wholly owned subsidiary, Tinto Holdings Canada Limited ("Tinto"), Suite 3209, Toronto-Dominion Centre, Toronto, Ontario, RTZ beneficially owns 2100 common shares. Thornwood Investments Limited (having the same address as Tinto), which is 80% owned by RTZ and 20% by Bethlehem Steel Corporation, Bethlehem, Pa., U.S.A. ("Bethlehem"), owns 12,113,831 common shares. For the purpose of The Securities Act (Ontario) on the date hereof, RTZ is deemed to own beneficially 12,116,031 (80%) of the outstanding common shares of the Company. RTZ's net beneficial interest in the common share equity of the Company is 64% and that of Bethlehem is 16%. Marubeni Corporation ("Marubeni") and the Fuji Bank Ltd. ("Fuji Bank") are the beneficial owners of an aggregate of 1,200,000 (8%) outstanding common shares. RTZ, Bethlehem, Marubeni and Fuji Bank have undertaken not to tender any of the common shares owned or controlled by them. To the extent that additional common shares are purchased pursuant to the Company's offer to its shareholders, their percentage net beneficial interests in the Company will increase.

Upon a show of hands, every Shareholder present in person and every proxy who is not a Shareholder and who represents a Shareholder entitled to vote, shall have one vote only.



Upon a poll, which may be demanded by the chairman of the Meeting or by Shareholders representing not less than 5% of the shares represented at the Meeting in person or by proxy and entitled to vote, every such Shareholder shall have one vote for each common share of the Company registered in his name. A Shareholder may appoint another person, who need not be a Shareholder of the Company, as his proxy to attend and vote in his place and stead; where a corporation, being a Shareholder entitled to vote, is present by proxy, or by a person duly appointed who is not a Shareholder, such proxy or person shall, in addition to voting on a poll, be entitled to vote for such corporation on a show of hands. Upon a poll the passing of an Ordinary Resolution requires the approval of a majority of the common shares represented at the Meeting either in person or by proxy. The passing of a Special Resolution requires the approval of at least 75% of the votes cast.

The instrument appointing the proxy shall be in writing under the hand of the Shareholder or of his attorney, duly authorized in writing or, if the Shareholder be a corporation, either under its corporate seal or under the hand of an officer or its attorney so authorized.

The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, to be effective, must be deposited with The Royal Trust Company, P.O. Box 1810, Station "B", Montreal, Quebec H3B 3L5, not less than forty-eight hours before the time appointed for holding the Meeting or adjourned Meeting at which the person named in the instrument proposes to vote. The instrument appointing a proxy shall be valid only for the Meeting for which it is given or any adjournment thereof.

### **Voting of Shares Represented by Management Proxy**

The accompanying form of proxy confers discretionary voting authority upon the persons designated therein. The shares represented by any valid Instrument of Proxy on the said form and appointing the persons named therein to represent the Shareholder at the Meeting will be voted in accordance with the directions of the Shareholder as specified in the Instrument of Proxy in respect of each Resolution referred to in the Notice of Meeting. In the absence of such directions the shares represented by such Instrument of Proxy will be voted in favor of each such Resolution.

Management is not aware of any matters other than those identified in the Notice of Meeting that may come before the Meeting. If, however, other matters properly come before the Meeting, or there are any amendments or variations to matters identified in the Notice of Meeting, the persons designated in the accompanying form of proxy will vote thereon in accordance with their best judgment pursuant to the discretionary authority conferred by the Instrument of Proxy with regard to such matters.

### **Designation of Persons Other Than Those Named in the Management Proxy**

Each Shareholder has the right to designate as his proxy a person other than those designated in the accompanying form of proxy to attend and vote for such Shareholder at the Meeting. Any Shareholder desiring to exercise such right may do so by striking out the names of the persons designated in the accompanying form of proxy and inserting, in the space provided, the name of the person he wishes to designate as his proxy, or he may do so by executing an instrument appointing a proxy in a form similar to the accompanying form of proxy.

### **Revocability of Proxy**

A Shareholder giving a proxy has power to revoke it at any time before it has been exercised, provided notice in writing of such revocation shall have been received by the Company at its registered office, Suite 1101, Royal Trust Building, St. John's, Newfoundland, at least forty-eight hours before the commencement of the Meeting or adjourned Meeting at which the Instrument of Proxy is to be used.

### **Remuneration of Management and Others**

The aggregate direct remuneration paid or agreed to be paid to directors and senior officers of the Company during the year ended December 31, 1974 by the Company and its consolidated subsidiaries, was \$542,167 and by its unconsolidated subsidiary Churchill Falls, was \$68,218. The aggregate remuneration paid or

proposed to be paid to senior officers, including senior officers who are directors, as bonuses, retirement or severance allowances is \$634,291. The agreement whereby services (including the provision of senior management personnel) were being provided in 1974 to the Company and Churchill Falls by Rio Tinto North American Services Limited ("RTNAS") for an annual fee of \$600,000 was terminated on June 27, 1974 at the time of the completion of the sale of the Company's interest in Churchill Falls and its other water power interests in Labrador to the Province of Newfoundland. Prior to termination of said agreement, RTNAS was paid fees aggregating \$295,000 in 1974. By letter agreement dated July 17, 1974, RTNAS agreed to provide until December 31, 1974 certain senior management personnel to the Company on reimbursement to RTNAS of the expenses incurred by it in providing staff services to the Company. The amount paid by the Company to RTNAS under this letter agreement for remuneration during 1974 was \$181,500. The arrangements set forth in the letter agreement of July 17, 1974 are being continued on a month-to-month basis.

The estimated aggregate cost to the Company and its subsidiaries in the year ended December 31, 1974 of all pension benefits proposed to be paid under any normal pension plan, directly or indirectly, by the Company and its subsidiaries to directors and senior officers of the Company, in the event of their retirement at normal retirement age, was \$29,246.

Since January 1, 1974, senior officers exercised options to purchase common shares of the Company as follows:

Date of Purchase	Number of Shares Purchased	Price	Price Range of Common Shares During 30 day Period Prior to Date of Purchase	
March 20, 1974*	71,500	\$3.70	\$5.25	\$4.70
	40,000	4.17	5.25	4.70
	11,000	4.62	5.25	4.70
	3,334	5.07	5.25	4.70
	5,000	5.18	5.25	4.70
	3,334	5.63	5.25	4.70
March 22, 1974*	13,800	3.70	5.25	4.70
September 12, 1974	49,000	3.70	7.00	6.00
September 16, 1974**	7,500	5.18	7.00	6.00

\* On March 11, 1974, prior to the opening of the Montreal Stock Exchange ("M.S.E.") and The Toronto Stock Exchange ("T.S.E."), trading in the common shares was suspended at the request of the Government of Newfoundland. This suspension continued until April 1, 1974.

\*\* On September 13, 1974 and September 16, 1974, at the request of the Company, trading in the common shares was suspended by the M.S.E. and the T.S.E. pending the announcements of a special dividend and a proposed merger with Rio Algom Mines Limited which proposed merger has been since terminated.

Dated as of the 17th day of February, 1975.

By Order of the Board

M. C. Burnes

Secretary







## Révocabilité d'une procuration

Tout actionnaire donnant une procuration peut révoquer celle-ci n'importe quand avant son exercice, pourvu qu'un avis écrit de cette révocation parvienne au siège social de la Compagnie, Suite 1101, Royal Trust Building, St. John's, Terre-Neuve au moins quarante-huit heures avant le début de l'Assemblée ou de son ajournement, pour laquelle la procuration a été donnée.

## Rémunération versée à des membres de la direction et à d'autres

La rémunération globale directe versée ou qui doit être versée à la suite d'une entente aux administrateurs et aux cadres supérieurs de la Compagnie, au cours de l'exercice terminé le 31 décembre 1974, par la Compagnie et par ses filiales consolidées, s'est élevée à \$542,167, et par sa filiale non consolidée Churchill Falls à \$68,218. La rémunération globale versée ou que l'on se propose de verser aux cadres supérieurs, y compris des cadres supérieurs qui sont administrateurs, à titre de prime ou à titre d'indemnité de retraite ou de départ est de \$634,291. L'entente en vertu de laquelle des services (y compris la disponibilité de cadres supérieurs) étaient fournis en 1974 à la Compagnie et à Churchill Falls par Rio Tinto North American Services Limited ("RTNAS") pour un honoraire annuel de \$600,000 fut terminée le 27 juin 1974 lors de la conclusion de la vente de l'intérêt de la Compagnie dans Churchill Falls et ses autres intérêts d'énergie hydrauliques au Labrador à la province de Terre-Neuve. Avant la terminaison de cette entente, RTNAS a reçu des honoraires totalisant \$295,000 en 1974. Par lettre d'entente datée du 17 juillet 1974, RTNAS a convenu de fournir jusqu'au 31 décembre 1974 certains cadres supérieurs à la Compagnie contre le remboursement à RTNAS des dépenses encourues par celle-ci en fournissant des services de personnels à la Compagnie. Le montant versé par la Compagnie à RTNAS en vertu de cette lettre d'entente au titre de rémunération au cours de 1974 fut de \$181,500. Les accords mentionnés dans la lettre d'entente du 17 juillet 1974 sont renouvelés sur une base mensuelle.

La contribution globale approximative de la Compagnie et ses filiales au cours de l'exercice terminé le 31 décembre 1974 à toutes les pensions qu'elle se propose de verser, directement ou indirectement, en vertu de tout régime de retraite normale aux administrateurs et aux cadres supérieurs de la Compagnie, en cas de retraite à l'âge normal de retraite a été de \$29,246.

Depuis le 1er janvier 1974, des cadres supérieurs ont exercé des options pour acheter actions ordinaires de la Compagnie comme suit:

Date de l'achat	Nombre d'actions achetées	Prix	Cours des actions ordinaires pendant les 30 jours précédant la date d'achat
20 mars 1974*	71,500	\$3.70	\$5.25
	40,000	4.17	5.25
	11,000	4.62	5.25
	3,334	5.07	5.25
	5,000	5.18	5.25
	3,334	5.63	5.25
	13,800	3.70	5.25
22 mars 1974*	49,000	3.70	7.00
12 septembre 1974	7,500	5.18	7.00
16 septembre 1974**			6.00

\* Le 11 mars 1974, avant l'ouverture de la Bourse de Montréal ("B.M.") et de la Bourse de Toronto ("B.T.") le commerce des actions ordinaires fut interrompu à la demande du gouvernement de Terre-Neuve. Cette interruption a couru jusqu'au 1er avril 1974.

\*\* Le 13 septembre 1974 et le 16 septembre 1974, à la demande de la Compagnie, le commerce des actions ordinaires fut arrêté par la B.M. et par la B.T., dans l'attente de l'annonce d'un dividende spécial et d'une fusion projetée avec Rio Algom Mines Limited, laquelle fusion ne s'est pas réalisée.

Date du 17 février 1975

Par ordre du conseil,

le Secrétaire,

M. C. Burnes

circulation. RTZ, Bethlehém, Marubeni et Fuji Bank se sont engagées à ne remettre aucune des actions ordinaires qu'elles détiennent ou contrôlent. Leur pourcentage d'intérêt net à titre de propriétaire réel dans la Compagnie augmentera proportionnellement au nombre additionnel d'actions ordinaires qui sont achetées par la Compagnie à la suite de l'offre faite à ses actionnaires.

Lors d'un vote à main levée, chaque actionnaire en personne et chaque fondé de pouvoir qui n'est pas un actionnaire mais qui représente un actionnaire ayant un droit de vote aura droit à un seul vote.

A l'occasion d'un vote écrit, qui peut être demandé par le président de l'Assemblée ou par des actionnaires représentant au moins 5% des actions représentées à l'Assemblée soit en personne ou par fondé de pouvoir et ayant droit de vote, chaque actionnaire aura droit à un vote par action ordinaire de la Compagnie enregistrée en son nom. Tout actionnaire peut déléguer une autre personne, actionnaire ou non, comme son fondé de pouvoir pour assister à l'Assemblée et y voter à sa place et en son nom. Lorsqu'un actionnaire ayant droit de vote est une compagnie représentée par un fondé de pouvoir ou une personne dûment déléguée et qui n'est pas un actionnaire de la Compagnie, ce fondé de pouvoir ou cette personne aura le droit de voter aussi bien à main levée que par écrit. Lors d'un vote écrit, l'adoption d'une résolution ordinaire exige l'approbation de la majorité des actions ordinaires représentées à l'Assemblée soit en personne ou par fondé de pouvoir. L'adoption d'une résolution spéciale exige l'approbation d'au moins 75% des votes déposés.

La procuration doit être signée de la main de l'actionnaire ou par son procureur dûment autorisé par écrit et si l'actionnaire est une compagnie, la procuration devra porter le sceau de la compagnie ou la signature d'un officier ou d'un procureur dûment autorisé.

La procuration ainsi que toute autorisation (s'il y a lieu) en vertu de laquelle elle est signée ou encore la copie notariée de telle autorisation, pour être valides, doivent être retournées à la Compagnie Trust Royal, Case postale 1810, Succursale B, Montréal, Québec, H3B 3L5 au plus tard quarante-huit heures avant l'heure fixée pour l'Assemblée ou tout ajournement d'icelle à laquelle la personne nommée dans ledit document se propose de voter. La procuration ne sera valide que pour l'Assemblée pour laquelle elle est donnée ou pour tout ajournement de celle-ci.

### **Exercice du droit de vote par un fondé de pouvoir proposé par la direction**

La formule de procuration ci-jointe confère aux personnes qui y sont désignées des pouvoirs discrectionnaires de vote. Le droit de vote attaché aux actions représentées par toute procuration valide sur ladite formule nommant les personnes y indiquées pour représenter l'actionnaire à l'Assemblée, sera exercé conformément aux instructions de l'actionnaire précisées dans la procuration quant à chaque résolution mentionnée dans l'avis de convocation d'assemblée. À défaut de telles instructions, le droit de vote attaché aux actions représentées par ladite procuration sera exercé en faveur de chacune de ces résolutions.

La direction n'a connaissance d'aucune question autre que celles qui sont indiquées dans l'avis de convocation et qui seront soumises à l'Assemblée. Cependant, si d'autres questions sont soumises selon les règles à l'Assemblée, ou si des amendements ou des changements sont apportés aux propositions indiquées dans l'avis de convocation, les personnes désignées dans la formule de procuration ci-jointe voteront sur celles-ci d'après leur meilleur jugement en vertu du pouvoir discrétionnaire que leur confère la procuration à cet égard.

Désignation de personnes autres que celles proposées par la direction dans la formule de procuration

Tout actionnaire a le droit de désigner comme son fondé de pouvoir une personne autre que celle indiquée dans la formule de procuration ci-jointe pour assister à sa place à l'Assemblée et y voter en son nom. Tout actionnaire qui désire exercer ce droit peut le faire en biffant le nom des personnes indiquées dans la formule de procuration ci-jointe et en y inscrivant, à l'endroit prévu, le nom de la personne qu'il veut désigner comme son fondé de pouvoir. Il peut également le faire en signant une formule de procuration semblable à la formule ci-jointe.



Jean-Paul Gignac, président et chef de la direction de Sidbec-Dosco, producteur d'acier et de produits d'acier.

Sam Harris, associé principal de Fried, Frank, Harris, Shriver et Jacobson, avocats, de New York, E.-U.  
Hiro Hiyama, président de Marubeni Corporation, entreprise commerciale, de Tokyo, Japon.  
Harry W. Macdonell, président et chef de la direction de la Compagnie.

Edmund Leopold de Rothschild, président du conseil de N.M. Rothschild & Sons Limited, Banque de Commerce de Londres, Angleterre.  
Harold L. Snyder, vice-président de la Compagnie depuis mai 1970 et vice-président administratif de Churchill Falls (Labrador) Corporation Limited ("Churchill Falls"), de 1970 à 1974. Il est entré au service de Churchill Falls en 1964 et été nommé vice-président en 1969. Le 1er mars 1975, Monsieur Snyder entrera en fonction comme directeur du Centre for Cold Ocean Resources Engineering de l'Université Memorial, St. John's, Terre-Neuve.

### Nomination des vérificateurs

Il est prévu que le droit de vote attaché aux actions représentées par les procurations sollicitées par les présentes sera exercé pour le maintien dans leurs fonctions de Peat, Marwick, Mitchell & Cie, 1155 ouest, boulevard Dorchester, Montréal, Québec, comme vérificateurs de la Compagnie jusqu'à la prochaine assemblée générale annuelle de la Compagnie et pour autoriser les administrateurs à fixer leur rémunération.

### Actions comportant droit de vote et leurs principaux détenteurs

Le 25 septembre 1974, la Compagnie a fait une offre d'acheter de ses actionnaires les actions ordinaires émises et en circulation de la Compagnie pour un prix d'achat de \$7.07 l'action. Au 7 février 1975, la Compagnie avait acheté et détient en trésorerie 9,454,757 actions ordinaires. A la date des présentes, un nombre additionnel de 83,367 actions avaient été remises pour achat et, si elles ne sont pas retirées, seront achetées. Cette offre aux actionnaires prendra fin le 31 mars 1975. Les actions ordinaires achetées ne seront pas annulées mais pourront être revendues de temps en temps par la Compagnie à tels prix et à tels termes et conditions que le conseil d'administration déterminera.

En date du 7 février 1975, il y avait en circulation entre les mains de ses actionnaires 15,154,728 actions ordinaires de la Compagnie sans valeur nominale ou au pair.

Les actions ordinaires de la Compagnie forment la seule classe d'actions de la Compagnie qui soient émises et qui donnent le droit de vote à l'Assemblée. Si les 83,367 actions additionnelles remises à la suite de l'offre de la Compagnie d'acheter les actions sont effectivement achetées, il y aura 15,071,361 actions ordinaires émises et en circulation donnant droit de vote à l'Assemblée. Il pourrait y avoir d'autres actions ordinaires remises pour achat entre le 17 février et le 28 février 1975 inclusivement. L'achat de ces actions remises réduirait d'autant plus les actions ordinaires en circulation donnant droit de vote à l'Assemblée.

A la connaissance des administrateurs et des cadres supérieurs de la Compagnie, la seule personne ou compagnie qui détient à titre de propriétaire réel (au sens de The Securities Act (Ontario)), directement ou indirectement, plus de 10% des actions ordinaires en circulation de la Compagnie est The Rio Tinto-Zinc Corporation Limited, 6 St. James's Square, Londres, Angleterre ("RTZ"). A la date des présentes, RTZ détient en propre 100 actions ordinaires et par l'entremise de sa filiale à part entière, Tinto Holdings Canada Limited ("Tinto"), Suite 3209, Toronto-Dominion Centre, Toronto, Ontario, RTZ détient à titre de propriétaire réel 2,100 actions ordinaires. Thornwood Investments Limited (de la même adresse que Tinto), détenue à 80% par RTZ et 20% par Bethlehem Steel Corporation, Bethlehem, Pa., E.-U. ("Bethlehem"), détient 12,113,831 actions ordinaires. A la date des présentes, au sens de The Securities Act (Ontario), RTZ est présomée détient à titre de propriétaire réel 12,116,031 (80%) des actions ordinaires en circulation de la Compagnie et l'intérêt net à titre de propriétaire réel dans le capital-actions ordinaires de la Compagnie est de 64% et celui de Bethlehem est de 16%. Marubeni Corporation ("Marubeni") et The Fuji Bank Ltd. ("Fuji Bank") sont détenteurs à titre de propriétaire réel d'un nombre global de 1,200,000 (8%) actions ordinaires en

de la Compagnie. En vertu des statuts actuels, tous les administrateurs de la Compagnie se retireront à toute assemblée générale annuelle et tout administrateur s'étant retiré ou toute autre personne sera éligible à réélection, élection ou nomination en tant qu'administrateur pourvu qu'il n'ait pas atteint l'âge de soixante-dix (70) ans.

## PERSONNES PROPOSÉES POUR ÉLECTION

Les administrateurs ci-après se retireront à la clôture ou à l'ajournement de l'Assemblée et seront éligibles à se présenter pour réélection:

<i>Norm et fonctions occupées</i>	<i>Administrateur</i>	<i>depuis</i>	<i>Norm et fonctions occupées</i>	<i>de la Compagnie</i>	<i>Nombre d'actions ordinaires détenues à titre de propriétaire réel directement ou indirectement</i>
E. Jacques Courtois, C.R.	avril 1973	500	Lewis W. Foy	1,000	1,000
Paul G. Desmarais	avril 1969	100	Jean-Paul Gignac, Ing.	100	100
Sir Val Duncan, O.B.E.*	avril 1953 à	aucune	Sam Harris*	1,000	1,000
(président du comité de direction)	juillet 1963; et		Hiro Hiyyama	aucune	100
Harry W. Macdonell, C.R.*	avril 1973	100	Edmund L. de Rothschild, T.D.	aucune	135
(président et chef de la direction)	avril 1971	100	Harold L. Snyder Ing. P.	aucune	135
	juin 1954	aucune			
	janvier 1975	135			

\*Membre du comité de direction du conseil d'administration.

Le candidat suivant est éligible à se présenter pour élection à l'Assemblée:

<i>Norm</i>	<i>George Baker</i>	<i>Nombre d'actions ordinaires détenues à titre de propriétaire réel directement ou indirectement</i>
		aucune

## OCCUPATIONS PRINCIPALES DES PERSONNES PROPOSÉES À L'ÉLECTION

Vous trouverez ci-dessous l'occupation ou l'emploi principal de chaque personne proposée comme candidat à l'élection comme administrateur et, quant à George Baker et Harold L. Snyder, leur occupation ou emploi principal au cours des 5 dernières années:

George Baker, vice-président et directeur général de Tinto Holdings Canada Limited depuis 1969.  
E. Jacques Courtois, associé de Laing, Weldon, Courtois, Parsons & Tétrault, avocats.  
Paul G. Desmarais, président du conseil et chef de la direction de Power Corporation of Canada, Limited, une société de gestion et de placement.

Sir Val (John Valette) Duncan, président du conseil et chef de la direction de The Rio Tinto-Zinc Corporation Limited, une société minière et industrielle internationale, de Londres, Angleterre.  
Lewis W. Foy, président du conseil de Bethlehem Steel Corporation, producteur d'acier et de produits d'acier, dont le siège social est à Bethlehem, Pa., E.-U.



Cette circulaire d'information vous est envoyée, conformément aux dispositions de The Securities Act of Ontario, c. 426, R.S.O. 1970, tel qu'amendé, à l'occasion de la sollicitation par la direction de Brinco Limited (ci-après appelée parfois "la Compagnie"), de procurations pour l'exercice de droits de vote à l'assemblée générale annuelle et extraordinaire de la Compagnie ("Assemblée") qui sera tenue à la date et pour les fins indiquées dans l'avis de convocation ci-joint. Les informations contenues dans les présentes sont données en date du 17<sup>ième</sup> jour de février 1975.

#### **Demande de procurations**

Outre cette sollicitation de procurations par la direction, des demandes de procurations pourront être faites au nom de la direction par des administrateurs, des officiers et des employés permanents de la Compagnie, soit par la poste, soit par télégramme, soit par téléphone. Le coût de la sollicitation, qui devrait être minime, sera aux frais de la Compagnie.

#### **Détails des questions spéciales à l'ordre du jour**

Lors de l'assemblée, les actionnaires seront appelés à :

(a) adopter une résolution spéciale (résolution No 2 — administrateurs remplaçants) modifiant les statuts de la Compagnie, aux fins de donner à un administrateur le droit de nommer une personne, reconnue par le conseil d'administration de la Compagnie, comme administrateur remplaçant aux fins d'agir à sa place au cours de son absence. Vous trouverez dans le texte de la modification proposée aux statuts de la Compagnie des détails additionnels, tels que les pouvoirs et le terme des administrateurs remplaçants.

(b) adopter une résolution ordinaire (résolution No 3 — "Régime d'option d'achat d'actions de 1975") approuvant le Régime d'option d'achat d'actions qui fut adopté par le conseil d'administration le 6 février 1975 et en vertu duquel des options relatives aux actions ordinaires non émises de la Compagnie peuvent être accordées aux employés permanents de la Compagnie et de ses filiales. Sous réserve des rectifications appropriées qui pourraient être nécessaires s'il y avait un changement dans la structure du capital de la Compagnie, le nombre d'actions ordinaires en vertu desquelles des options peuvent être accordées est limité à 200,000. Le Régime sera administré par un comité formé de trois membres du conseil d'administration, y compris le président et chef de la direction, qui peut en tout temps avant le 1<sup>er</sup> mai 1980 accorder des options qui ont une durée maximum de 5 ans. Les options peuvent être accordées à des prix au moins égaux à 90% du prix du marché tel que défini dans le Régime lorsque le prix du marché dépasse \$5.00 l'action et au moins égaux à 85% de ce prix du marché lorsque celui-ci ne dépasse pas \$5.00 par action. Sous réserve des limites inhérentes au Régime, le nombre d'actions ordinaires couvertes par chaque option et le terme de chacune d'elle seront tels que le comité accordant ces options aura décidé. En vertu du Régime, les administrateurs conservent le droit de le modifier ou de le terminer. Le Régime n'entrera pas en vigueur à moins d'avoir été approuvé par les actionnaires de la Compagnie. Des copies du Régime sont disponibles pour vérification au cours des heures d'affaires normales au bureau de la Compagnie, 1 Westmount Square, Montréal, Québec, H3Z 2X5.

#### **Election des administrateurs**

À la dernière assemblée annuelle des actionnaires tenue le 27 juin 1974, les actionnaires ont élu 19 administrateurs. Conformément aux pouvoirs conférés au conseil d'administration par les statuts de la Compagnie, le conseil a récemment adopté une résolution selon laquelle, à la clôture ou à l'ajournement de l'Assemblée, le nombre des administrateurs sera réduit de 19 à 11.

Le droit de vote attaché aux actions représentées par les procurations sollicitées dans les présentes sera exercé pour l'élection de chaque personne proposée nommée dans la liste ci-après (ou des personnes qui pourront les remplacer en cas de circonstances imprévues). Les personnes ainsi élues administrateurs seront en fonction jusqu'à ce qu'elles se retirent à la clôture ou à l'ajournement de la prochaine assemblée générale annuelle, à moins que leur poste d'administrateur devienne vacant auparavant, tel que prévu dans les statuts



## RÉSOLUTIONS

Résolution No 1 — A être présentée comme résolution ordinaire, "Comptes et rapports"

IL EST RÉSOLU

QUE les comptes et le bilan de la Compagnie ainsi que les rapports des administrateurs et des vérificateurs pour l'exercice terminé le 31 décembre 1974 soient et ils sont par les présentes adoptés.

Résolution No 2 — A être présentée comme résolution spéciale, "Administrateurs remplaçants"

IL EST RÉSOLU

QUE les statuts de la Compagnie soient par les présentes modifiés en y ajoutant à l'article 66 tel qu'il existe présentement, les paragraphes additionnels suivants:

Chaque administrateur aura le pouvoir, sous réserve de l'approbation du conseil d'administration (le "Conseil"), de nommer toute personne pour que celle-ci agisse en tant qu'administrateur remplaçant à sa place au cours de son absence et peut à sa discrétion révoquer ou, avec l'approbation du Conseil, remplacer tel administrateur remplaçant. Une personne ainsi nommée aura en l'absence de celle qui l'a nommée tous les droits, devoirs et pouvoirs d'un administrateur au cours de la période de sa nomination (sauf le pouvoir de nommer un autre remplaçant) et sera sujette en tout point aux termes et conditions en vigueur quant aux autres administrateurs de la Compagnie et chaque administrateur remplaçant, agissant à tel titre en l'absence de celui qui l'a nommé, devra remplir toutes les fonctions, pouvoirs et devoirs de celui qui l'a nommé en sa qualité d'administrateur. L'admissibilité des administrateurs remplaçants à une rémunération sera déterminée par le Conseil. Un administrateur remplaçant cessera ipso facto d'être un administrateur remplaçant si celui qui l'a nommé cesse pour toute raison d'être administrateur, sauf que, si un administrateur se retire lors d'une assemblée générale annuelle mais est réélu à la même assemblée, toute nomination faite par lui conformément au présent article et qui est en vigueur immédiatement avant son retrait demeurera en vigueur comme s'il ne s'était pas retiré. Toutes les nominations et révocations d'administrateurs remplaçants devront être faites par documents écrits transmis au Président du Conseil et au Secrétaire et signés par celui qui a nommé.

Résolution No 3 — A être présentée comme résolution ordinaire, "Régime d'option d'achat d'actions de 1975"

IL EST RÉSOLU

QUE le Régime d'option d'achat d'actions des employés, adopté par le Conseil d'Administration de la Compagnie le 6 février 1975, soit et il est par les présentes adopté.

**AVIS**

**de convocation d'une assemblée  
générale annuelle et extraordinaire**

AVIS est par les présentes donné que l'assemblée générale annuelle et extraordinaire de Brinco Limited (la "Compagnie") sera tenue à la Galerie No 4 de l'hôtel le Reine Elizabeth, à Montréal, Québec, le jeudi 20 mars 1975, à 14h30 (heure de Montréal) aux fins suivantes:

1. Considérer les comptes et le bilan de la Compagnie, les rapports des administrateurs et des vérificateurs pour l'exercice terminé le 31 décembre 1974 et, si jugé à propos, adopter comme résolution ordinaire la résolution No 1, intitulée "Comptes et rapports".
2. Considérer et, si jugé à propos, adopter comme résolution spéciale la résolution No 2, intitulée "Administrateurs remplaçants".
3. Considérer et, si jugé à propos, adopter comme résolution ordinaire la résolution No 3, intitulée "Régime d'option d'achat d'actions de 1975".
4. Elire les administrateurs.
5. Nommer les vérificateurs et autoriser les administrateurs à fixer leur rémunération.
6. Traiter toute autre affaire de la Compagnie qui pourrait être valablement soulevée lors de l'assemblée.

Les résolutions mentionnées ci-dessus vous sont exposées à la page suivante.

Les actionnaires qui ne pourront assister à l'assemblée ont le droit de s'y faire représenter par un fondé de pouvoir. A cet effet, ils sont priés de signer et de dater la formule de procuration ci-jointe, après avoir consulté les sections pertinentes de la circulaire d'information ci-annexée, et de la retourner à la Compagnie Trust Royal, Case postale 1810, Succursale B, Montréal, Québec, H3B 2L5 au moins quarante-huit heures avant l'heure fixée pour l'assemblée. Il n'est pas nécessaire que le fondé de pouvoir soit actionnaire de la Compagnie.

Date ce 17ième jour de février 1975

Par ordre du conseil,  
  
le Secrétaire,  
  
M. C. Burnes

Ci-jointes:

- Circulaire d'information
- Formule de procuration
- Enveloppe pré-adressée

(English text over)

**AR30****MAR 14 1975**

March 6, 1975

**Information to Shareholders Concerning the \$1.20 per Share Capital  
Surplus Dividend and Purchases of Shares for \$7.07 per Share****General Comments**

The information in this memorandum is for the use of shareholders in determining their tax position with respect to the transactions explained below. Shareholders should consult their tax advisors as to the tax effect of these transactions in their own individual circumstances.

On October 15, 1974 Brinco Limited paid a cash dividend of \$1.20 per share to shareholders of record on September 25, 1974. This dividend was paid out of the Company's 1971 Capital Surplus on Hand in accordance with elections made under the Income Tax Act (Canada) and the Taxation Act (Quebec).

On various dates in 1974 and 1975 the Company, pursuant to the "Offer to Purchase Shares" (as distributed to the shareholders and dated September 25, 1974), has purchased for \$7.07 per share, shares tendered by shareholders.

Shares tendered for purchase and received by the depositary, The Royal Trust Company, prior to the tender record dates of October 25, 1974 or November 29, 1974 were purchased by Brinco in 1974 and should be considered by shareholders as 1974 dispositions.

Shares tendered for purchase and received by the depositary after November 29, 1974 were purchased by Brinco in 1975 and should be considered by shareholders as a 1975 disposition.

For Canadian income tax purposes, the purchase price of \$7.07 per share is deemed to consist of the following two amounts:

Return of paid-in capital	\$ 3.0864
Dividend (deemed paid out of 1971 Capital Surplus on Hand)	3.9836
	<u>\$ 7.07</u>

(The Company has elected under the Income Tax Act (Canada) and the Taxation Act (Quebec) to have the dividend of \$3.9836 per share deemed paid out of the Company's 1971 Capital Surplus on Hand immediately before each purchase.)

Existing or former shareholders who have registered addresses in Canada will not receive a "Statement of Investment Income" (Form T-5 or TP-5). Such forms are not required to be issued with respect to these transactions. This notice will be the only information received by such shareholders.



Shareholders with registered addresses outside Canada will receive a "Statement of Amounts Paid or Credited to Non-Residents of Canada" (form NR4) with respect to these transactions.

**Shareholders resident in Canada who hold or held Brinco shares as capital property**

- a) The shareholders who have tendered shares for purchase by the Company are considered to have disposed of those shares for Canadian tax purposes on the date of purchase by the Company. Calculations will have to be made as to whether such a disposition gave rise to a capital gain or capital loss or no gain or loss for Canadian tax purposes.

Pursuant to the elections made by the Company, the \$1.20 cash dividend and the \$7.07 purchase price will be treated as a return of capital to shareholders resident in Canada. These amounts are not required to be included in such a shareholders income for Canadian income tax purposes but may give rise to a capital gain or the reduction of a capital loss on the disposition of Brinco shares.

- b) Corporate shareholders would include the amounts of \$1.20 and \$3.9836 per share in the computation of their own 1971 Capital Surplus on Hand, where relevant.

**Shareholders resident outside of Canada**

- a) The \$1.20 cash dividend and the \$7.07 purchase price is not subject to Canadian non-resident withholding tax at source.
- b) Shareholders of Brinco resident outside of Canada, in general, are not subject to Canadian capital gains taxation with respect to Brinco shares and therefore no Canadian tax would arise to them with respect to the \$7.07 per share purchase.

**Shareholders subject to taxation by other jurisdictions**

- a) No special Canadian taxes were paid to create the 1971 Capital Surplus on Hand out of which the \$1.20 dividend and the \$3.9836 deemed dividend portion of the \$7.07 purchase price were deemed paid.
- b) The \$1.20 dividend was a dividend declared and paid by the Company as a dividend and, where relevant, could be looked upon as a dividend out of capital profits.
- c) The \$7.07 purchase price was paid as a purchase price for shares. The deemed dividend portion of the purchase price arose only as a result of Canadian tax legislation. The Company did not declare or pay any portion of the \$7.07 purchase price as a dividend.

M. C. BURNES  
Secretary

Les actionnaires actuels et anciens qui ont des adresses inscrites au Canada ne recevront pas "d'Etat de revenu de placement" (formule T-5 ou TP-5). Des telles formules n'ont pas à être émises quant à ces transactions. Le présent avis sera la seule information reçue par ces actionnaires.

Les actionnaires qui ont des adresses inscrites hors du Canada recevront un "Etat des montants versés ou crédités à des non-résidents du Canada" (formule NR4) quant à ces transactions.

### **Actionnaires résident au Canada qui détiennent ou ont détenu des actions de Brinco comme biens en immobilisations**

a) Les actionnaires qui ont remis des actions pour achat par la compagnie sont considérés avoir aliéné ces actions aux fins de l'impôt canadien à la date d'achat par la compagnie. Il faudra faire les calculs nécessaires afin de déterminer si cette aliénation a donné lieu à un gain en capital ou à une perte en capital ou si elle n'a pas donné lieu à quelque gain ou perte aux fins de l'impôt canadien.

A la suite des choix faits par la compagnie, le dividende en espèces de \$1.20 et le prix d'achat de \$7.07 seront traités comme un retour de capital aux actionnaires résidents au Canada. Ces montants n'auront donc pas à être compris dans le revenu de ces actionnaires aux fins de l'impôt canadien sur le revenu mais pourraient donner lieu à un gain de capital ou à une réduction de la perte de capital lors de l'aliénation des actions de Brinco.

b) Les compagnies actionnaires devraient comprendre les montants de \$1.20 et de \$3.9836 par action dans le calcul de leur propre surplus de capital en main en 1971, s'il y a lieu.

### **Actionnaires résident hors du Canada**

a) Le dividende en espèces de \$1.20 et le prix d'achat de \$7.07 ne sont pas sujets à retenue à la source d'impôt canadien des non-résidents.

b) Les actionnaires de Brinco résident hors du Canada ne sont en général pas sujets à l'impôt canadien des gains en capital quant aux actions de Brinco et ainsi le prix d'achat de \$7.07 par action ne devrait pas donner lieu pour eux à un impôt canadien.

### **Actionnaires sujets à imposition dans d'autres juridictions**

a) Aucun impôt spécial canadien ne fut versé pour créer le surplus de capital en main en 1971 à même lequel le dividende de \$1.20 et la portion réputée dividende de \$3.9836 du prix d'achat de \$7.07 sont réputées avoir été payés.

b) Le dividende de \$1.20 fut un dividende déclaré et versé par la compagnie en tant que dividende et, s'il y a lieu, devrait être considéré comme un dividende à même les profits de capital.

c) Le prix d'achat de \$7.07 l'action fut versé comme prix d'achat des actions. La portion réputée dividende du prix d'achat ne survient que par suite de la législation fiscale canadienne. La compagnie n'a pas déclaré ni payé quelque portion du prix d'achat de \$7.07 comme dividende.

6 mars 1975

## Renseignements à l'intention des actionnaires à propos du dividende de surplus de capital de \$1.20 par action et des achats d'actions pour \$7.07 l'action

### Commentaires généraux

Les renseignements contenus dans ce mémoire sont à l'usage des actionnaires pour les aider à déterminer leur situation fiscale quant aux transactions détaillées plus bas. Les actionnaires devraient consulter leurs conseillers fiscaux quant à l'influence fiscale de ces transactions dans leur cas particulier.

Le 15 octobre 1974, Brinco Limited a versé un dividende en espèces de \$1.20 l'action aux actionnaires inscrits le 25 septembre 1974. Ce dividende fut versé à même le surplus de capital en main en 1971 de la compagnie conformément au choix fait en vertu de la Loi de l'impôt sur le revenu (Canada) de la Loi sur les impôts (Québec).

A diverses dates en 1974 et en 1975, la compagnie, conformément à "l'offre d'achat d'actions" (distribuée aux actionnaires et datée du 25 septembre 1974), a acheté à \$7.07 l'action les actions remises par les actionnaires.

Les actions remises pour achat et reçues par le dépositaire, Compagnie Trust Royal, avant les dates d'inscription de remise du 25 octobre 1974 ou du 29 novembre 1974 furent achetées par Brinco en 1974 et devraient être considérées par les actionnaires comme des aliénations de 1974.

Les actions remises pour achat et reçues par le dépositaire après le 29 novembre 1974 furent achetées par Brinco en 1975 et devraient être considérées par les actionnaires comme une aliénation de 1975.

Aux fins de l'impôt canadien sur le revenu, le prix d'achat de \$7.07 l'action est réputé comprendre les deux montants suivants:

Retour de capital versé	\$ 3.0864
Dividende (réputé être versé à même le surplus de capital en main en 1971)	3.9836
	<u>\$ 7.07</u>

(La compagnie a choisi en vertu de la Loi de l'impôt sur le revenu (Canada) et de la Loi sur les impôts (Québec) de considérer le dividende de \$3.9836 par action comme réputé avoir été versé à même le surplus de capital en main en 1971 de la compagnie immédiatement avant chaque achat).



**AR30**



One Westmount Square, Montreal, Quebec, Canada H3Z 2X5

# **Report to the Shareholders**

**For the six months ended  
June 30, 1975**



AUG 15 1975

## LIMITED and WHOLLY OWNED SUBSIDIARIES

The consolidated net earnings before extraordinary items for the six months ended June 30, 1975, were \$52,000 as compared to \$4,352,000 for the same period in 1974. This reduction in net earnings continues to reflect the change in the Company's operations following the sale of its shareholdings in Churchill Falls (Labrador) Corporation Limited in June 1974.

The consolidated net earnings for the first six months of 1975 were \$538,000. However, as a result of the Company's 1975 exploration programme, which is concentrated mainly in the summer and fall months, it is anticipated that the consolidated net earnings of the Company will decrease over the balance of this year.

During the first six months of 1975, the Company has expended a total of \$654,000 on projects of which \$498,000 was on the Abitibi asbestos feasibility study.

Montreal, Quebec  
July 28, 1975

Consolidated Statement of Changes  
in Financial Position for the  
six months ended June 30

	(unaudited) \$ Thousands	
	1975	1974
Source of funds:		
Net earnings before extraordinary item .	24	—
Add items not affecting working capital during the period:		
Depreciation and amortization . . . . .	44	—
Deferred income taxes . . . . .	486	—
	<u>554</u>	<u>—</u>
Net proceeds from sale of shares of Churchill Falls (Labrador) Corporation Limited and Labrador water rights and related assets . . . . .	—	159,000
Issue of capital stock . . . . .	—	1,063
Other — net . . . . .	2	—
Total funds provided	<u>556</u>	<u>160,063</u>
Use of funds:		
Net earnings before extraordinary item .	—	4,352
Add (deduct) items not affecting working capital during the period:		
Depreciation and amortization . . . . .	—	16
Equity in net income of Churchill Falls (Labrador) Corporation Limited . . . . .	—	(5,166)
	—	<u>798</u>
Investment in Abitibi Asbestos Mining Company Limited . . . . .	—	255
Abitibi asbestos project expenditures not converted into shares of Abitibi Asbestos Mining Company Limited at June 30 . . . . .	498	284
Expenditures on other projects . . . . .	156	144
Other investments . . . . .	5	193
Fixed assets — net . . . . .	3	155
Purchase of common shares . . . . .	5,890	—
Total funds used . . . . .	<u>6,552</u>	<u>1,829</u>
Increase (decrease) in working capital .	(5,996)	158,234
Working capital at beginning of period ..	<u>62,202</u>	<u>4,948</u>
Working capital at end of period . . . . .	<u>56,206</u>	<u>163,182</u>

AUG 15 1975

Consolidated Statement of Earnings  
for the six months  
ended June 30

	(unaudited) \$ Thousands	
	1975	1974
Income:		
Equity in net income of Churchill Falls (Labrador) Corporation Limited	—	5,166
Income on short-term deposits .....	2,489	415
Income from Coseka Resources Limited	200	68
	<u>2,689</u>	<u>5,649</u>
Expenses:		
Administrative .....	995	514
Depreciation and amortization .....	44	16
Exploration expenditures and other costs related to natural resources — net .....	<u>1,140</u>	<u>767</u>
	<u>2,179</u>	<u>1,297</u>
Earnings before income taxes, extraordinary items and minority interest .....	510	4,352
Deferred income taxes .....	<u>486</u>	<u>—</u>
Net earnings before extraordinary items and minority interest .....	24	4,352
Extraordinary items:		
Gain on sale of shares of Churchill Falls (Labrador) Corporation Limited and Labrador water rights and related assets .....	—	87,148
Reduction in income taxes due to utilization of exploration costs expensed in prior years .....	<u>486</u>	<u>—</u>
Net earnings before minority interest ..	510	91,500
Minority interest in loss of subsidiary ...	<u>28</u>	<u>—</u>
Net earnings .....	<u>538</u>	<u>91,500</u>
Net earnings per share before extraordinary items .....	0.4¢	\$0.178
Net earnings per share .....	<u>3.6¢</u>	<u>\$3.749</u>

The accounts are presented whereby the consolidated financial statements of Brinco Limited include the accounts of all its subsidiaries. In 1974 the investment in Churchill Falls (Labrador) Corporation Limited was included on an equity basis.



# Brinco

AUG 15 1975

LIMITED and WHOLLY C

The consolidated net earnings before extraordinary items for the six months ended June 30, 1975, were \$52,000 as compared to \$4,352,000 for the same period in 1974. This reduction in net earnings continues to reflect the change in the Company's operations following the sale of its shareholdings in Churchill Falls (Labrador) Corporation Limited in June 1974.

The consolidated net earnings for the first six months of 1975 were \$538,000. However, as a result of the Company's 1975 exploration programme, which is concentrated mainly in the summer and fall months, it is anticipated that the consolidated net earnings of the Company will decrease over the balance of this year.

During the first six months of 1975, the Company has expended a total of \$654,000 on projects of which \$498,000 was on the Abitibi asbestos feasibility study.

Montreal, Quebec  
July 28, 1975

On peut obtenir le texte français de ce rapport auprès du service des Relations publiques, Brinco Limited, Un, Westmount Square, Montréal, Québec, Canada H3Z 2X5.

AR30

**Brinco**  
LIMITED

One Westmount Square, Montreal (Quebec), Canada H3Z 2X5

# Report to the Shareholders

For the six months ended  
June 30, 1976

On peut obtenir le texte français de ce rapport auprès du service des relations publiques, Brinco Limited, Un, Westmount Square, Montréal, Québec, Canada H3Z 2X5.

# Brinco

## LIMITED and SUBSIDIARIES

### Labrador Uranium

The preliminary feasibility study with respect to the Kitts/Michelin uranium deposits in Labrador and the surface diamond drilling program have now been completed. The results of the surface diamond drilling program are being assessed. A definitive feasibility study has been initiated and a field program to gather further data in support of the study is now under way. The first phase of the environmental assessment for the project is nearing completion.

### Abitibi Asbestos Mining Company Limited

Following completion of the study of Abitibi Asbestos Mining Company Limited's principal asbestos deposit near Amos, Quebec, discussions have commenced with prominent lenders to determine what financial arrangements are available. Concurrently, as announced in July, Brinco and Abitibi have begun discussions with Asarco Inc., the parent of Lake Asbestos of Quebec, Ltd., to explore the possibility of reaching satisfactory commercial arrangements which could lead to development of the deposit.

Brinco's right to work on Abitibi's asbestos properties and to make a production decision pursuant to the original agreements between Brinco and Abitibi, expired in July 1976. Brinco currently holds or is entitled to hold approximately 60% of Abitibi's outstanding shares.

### Washington State Zinc

Brinco's U.S. subsidiary and its joint venture partners are now engaged in a preliminary study on a former zinc producing property in the State of Washington.

### Consolidated Statement of Earnings for the six months ended June 30, 1976

	(Unaudited) \$ Thousands 1976	1975
<b>Income:</b>		
Income from short-term deposits	2,600	2,489
and commercial notes	200	200
Income from Coseka Resources Limited	2,800	2,689
<b>Expenses:</b>		
Administrative	867	995
Depreciation and amortization	55	44
Exploration expenditures and other costs related to natural resources — net	1,123	1,140
	2,045	2,179
<b>Earnings before income taxes, extraordinary item and minority interest</b>	755	510
Income taxes	508	486
<b>Net earnings before extraordinary item and minority interest</b>	247	24
Reduction in income taxes due to utilization of exploration costs expensed in prior years	229	486
<b>Net earnings before minority interest</b>	476	510
Minority interest in loss of subsidiary	46	28
<b>Net earnings</b>	522	538
<b>Net earnings per share before extraordinary item</b>	2.0¢	0.4¢
<b>Net earnings per share</b>	3.6¢	3.6¢

### Consolidated Statement of Changes in Financial Position for the six months ended June 30, 1976

	(Unaudited) \$ Thousands 1976	1975
<b>Source of funds:</b>		
Net earnings before extraordinary item	247	24
Add items not affecting working capital during the period:		
Depreciation and amortization	55	44
Income taxes	508	486
<b>Total funds provided</b>	810	554
<b>Use of funds:</b>		
Abitibi asbestos project expenditures for the current year not converted into shares of Abitibi Asbestos Mining Company Limited at June 30	438	498
Expenditures on Kitts/Michelin project	374	—
Other project expenditures	—	156
Other — net	32	6
Purchase of common shares	—	5,890
<b>Total funds used</b>	844	6,550
Decrease in working capital	(34)	(5,996)
<b>Working capital at beginning of period</b>	54,686	62,202
<b>Working capital at end of period</b>	54,652	56,206

The consolidated financial statements of Brinco Limited include the accounts of all its subsidiaries.



AR30

1977

Brinco  
LIMITED

One Westmount Square, Montreal (Quebec), Canada H3Z 2X5

# Report to the Shareholders

For the six months ended  
June 30, 1977

On peut obtenir le texte français de ce rapport auprès du service des relations publiques, Brinco Limited, Un Westmount Square, Montréal, Québec, Canada H3Z 2X5.

# Brinco

## LIMITED and SUBSIDIARIES

### Labrador Uranium

A review of the technical feasibility study has been completed and the economic evaluation of the project is still in progress.

Geological exploration teams are continuing the program of field work on the concession areas in Labrador covered by the joint venture agreement with Urangesellschaft Canada Limited.

### Abitibi Asbestos

Talks which were initiated by Abitibi Asbestos Mining Company Limited with the Quebec Department of Natural Resources are still in progress. The Department has reviewed data on the work completed to date, and a report has been made to the Minister. Although the possibility of participation by the Government in the development of Abitibi's asbestos deposit has been discussed, there has been no agreement or decision of any kind reached in this area.

Discussions with Lake Asbestos of Quebec, Ltd have been temporarily suspended pending further word from the Government.

### Washington State Zinc

Sensitivity studies on the feasibility of the zinc project have been completed by the partners. The current outlook for lead and zinc prices is not encouraging and further work on the project has been deferred.

### Other

In the Port aux Basques area of Newfoundland, a current drilling program under joint venture arrangements with RioCanex has intersected interesting gold values in several drill holes over a strike length of approximately 500 feet in two zones. Assays by atomic absorption suggest values of between .19 and .90 oz. Au over true widths of 5 to 13.5 feet and there are indications that grade may improve upon fire assay. Drilling is continuing on this prospect, in which the Brinco interest is approximately 21%.

### Financial Results

Net earnings for the first six months of 1977 were \$387,000 compared with \$522,000 for the same period in 1976.

During the six months ended June 30, 1977, approximately \$2.2 million was spent on the Labrador uranium project. Working capital at the end of the period was \$50.4 million.

### Consolidated Statement of Earnings for the six months ended June 30, 1977 (with comparative figures for 1976)

	(Unaudited) \$ Thousands	1977	1976
Income:			
Income from short-term deposits and commercial notes	2,060	2,600	
Income from Coseka Resources Limited	140	200	
	<u>2,200</u>	<u>2,800</u>	
Expenses:			
Administrative	910	867	
Depreciation and amortization	68	55	
Exploration expenditures and other costs related to natural resources — net or recoveries from partners	<u>710</u>	<u>1,123</u>	
	<u>1,688</u>	<u>2,045</u>	

### Consolidated Statement of Changes in Financial Position for the six months ended June 30, 1977 (with comparative figures for 1976)

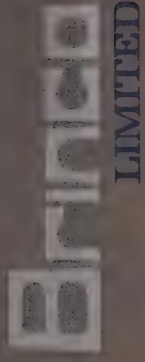
	(Unaudited) \$ Thousands	1977	1976
Source of funds:			
Net earnings before extraordinary item	129	247	
Items not affecting working capital during the period:			
Depreciation and amortization	68	55	
Deferred income taxes	383	508	
Other	12	—	
Funds provided by operations	<u>592</u>	<u>810</u>	
Proceeds from sale of investments	<u>39</u>	<u>—</u>	
Total funds provided	<u>631</u>	<u>810</u>	

### Use of funds:

Earnings before income taxes, extraordinary item and minority interest	512	755	
Income taxes	<u>383</u>	<u>508</u>	
Net earnings before extraordinary item and minority interest	<u>129</u>	<u>247</u>	
Extraordinary item:			
Reduction in income taxes due to utilization of exploration and other costs expensed in prior years	<u>237</u>	<u>229</u>	
Net earnings before minority interest	<u>366</u>	<u>476</u>	
Minority interest in loss of subsidiary	<u>21</u>	<u>46</u>	
Net earnings	<u>387</u>	<u>522</u>	
Net earnings per share before extraordinary item	<u>1.0¢</u>	<u>2.0¢</u>	
Net earnings per share	<u>2.6¢</u>	<u>3.6¢</u>	

The consolidated financial statements of Brinco Limited include the accounts of all its subsidiaries.

AR30



33 City Centre Drive, Suite 210, Mississauga, Ontario L5B 2S8

# Report to the Shareholders

For the six months ended  
June 30, 1978

On peut obtenir le texte français de ce rapport  
auprès du service des relations publiques, Brinco  
Limited, 33 City Centre Drive, Mississauga,  
Ontario. L5B 2S8.



## Labrador Uranium

Brinco is continuing to review the feasibility of the development of the Labrador uranium project. Efforts are being concentrated on studying the technical and economic feasibility of alternative development concepts. Urangesellschaft Canada Limited is a joint venture partner in this project.

## Exploration Activities

In 1978 the principal areas of field exploration activity are in Newfoundland, Saskatchewan and the Yukon.

In Labrador and on the island of Newfoundland, Brinco and its joint venture partners are carrying out extensive exploration programmes for uranium and base metals.

Brinco is participating in three uranium programmes in the Athabasca Basin in Saskatchewan. Brinco's final equity positions are dependent upon the degree of participation in the programme by the Saskatchewan Mining Development Corporation and other joint venture partners.

In the Yukon, where Brinco is the major partner in the Ogilvie Joint Venture, a drill hole has intersected mineralization in what may be a second zone of lead-zinc mineralization. Geological complexity renders it uncertain whether this is an entirely new zone or a fault or fold repetition of the previously reported zone. Diamond drilling in both zones is continuing but drill hole deviation is a problem.

In addition, exploration for uranium is being carried out in British Columbia and the United States of America and for base metals in Ontario.

## Financial Results

Consolidated net earnings for the six months ended June 30, 1978 were \$343,000 as compared to \$387,000 for the same period in 1977. This reduction in net earnings was due to a reduction in investment income and an increase in exploration expenditures which were only partially offset by the inclusion, in 1978, of Brinco's equity in net income of Coseka Resources Limited.

## Management

On July 6th, Mr. Donald R. De Laporte resigned as President and Chief Executive Officer, and was replaced on an interim basis by Mr. Graeme A. Elliot.

On July 28th, Mr. Hugh R. Snyder was elected President and Chief Executive Officer effective October 1, 1978. Mr. Elliot will continue in office until that date.

## Consolidated Statement of Earnings for the six months ended June 30, 1978 (with comparative figures for 1977)

	(Unaudited) \$ Thousands	1978	1977
Income:			
Income from short-term deposits	1,779	2,060	
Income from debentures of Coseka Resources Limited	—	140	
Expenses:			
Administrative	833	910	
Depreciation and amortization	56	68	
Exploration expenditures and other costs related to natural resources	—	—	
— net of recoveries from partners	1,048	710	
Earnings (loss) before items set out separately below	1,937	1,688	
Income taxes	(158)	512	
	55	383	
	(213)	129	
Equity in net income of Coseka Resources Limited	523	—	
	310	129	
Extraordinary item:			
Reduction in income taxes due to utilization of exploration and other costs expended in prior years	—	237	
Minority interest in loss of subsidiary	310	366	
	33	21	
Net earnings	343	387	
Net earnings per share before extraordinary item	2.3¢	1.0¢	
	2.3¢	2.6¢	
Net earnings per share	2.3¢	2.6¢	

## Consolidated Statement of Changes in Financial Position for the six months ended June 30, 1978 (with comparative figures for 1977)

	(Unaudited) \$ Thousands	1978	1977
Source of funds:			
Net earnings before extraordinary item	—	129	
Items not affecting working capital during the period:			
Depreciation and amortization	—	68	
Deferred income taxes	—	383	
Other	—	12	
Funds provided by operations	—	592	
Reduction of long term advances	—	—	
Proceeds from sale of investments	6	39	
Total funds provided	6	631	
Use of funds:			
Net loss before equity in net income of Coseka Resource Limited and extraordinary item	213	—	
Items not affecting working capital during the period:			
Depreciation and amortization	56	—	
Deferred income taxes	55	—	
Other	13	—	
Funds used in operations	89	—	
Project expenditures:			
Abitibi Asbestos	51	77	
Labrador Uranium	499	2,195	
Washington State Zinc	12	61	
Investment in shares of Coseka Resources Limited	—	347	
Purchase of fixed assets and other items — net	73	18	
Total funds used	724	2,698	
Decrease in working capital	718	2,067	
Working capital at beginning of period	47,049	52,525	
Working capital at end of period	46,331	50,458	

The consolidated financial statements of Brinco Limited include the accounts of all its subsidiaries.

## NOTICE

of ANNUAL and EXTRAORDINARY

**Brinco**

LIMITED and SUBSIDIARIES

AUG 20 1979

**Labrador Uranium**

Brinco's wholly-owned subsidiary British Newfoundland Exploration Limited ("Brinex") has exercised an option on the 40% interest of Urangesellschaft Canada Limited in the joint venture covering portions of Brinex's concession areas in Labrador. Subject to Canadian and United States government and regulatory approvals, Brinex has agreed to transfer the 40% interest to Edison Development Canada Inc., a wholly-owned Canadian subsidiary of Commonwealth Edison Company of Chicago.

An agreement in principle has been reached with Commonwealth Edison whereby it will, through its subsidiary, arrange financing of mine and mill construction, at the Kitts and Michelin deposits in Labrador, and will purchase up to 18 million lbs. of uranium. Brinex will provide construction and operating management. Final contract arrangements are to be settled and will be subject to government and regulatory approvals.

The project would be staged out of Goose Bay where extensive infrastructure requirements already exist. An 85 mile all-weather road would be constructed from Goose Bay to mill-site. Employment resulting from the project would be approximately 300, most of whom would be housed at Goose Bay. Employment during construction, including support personnel, would be considerably higher.

This concept was the subject of a feasibility study commenced by Kilborn Limited in January of this year and completed in June. During the latter half of the year certain confirmatory work will be done to refine the concept and cost estimates. An Environmental Impact Statement and Preliminary Site and Safety Reports have been submitted to the Newfoundland Government, the public, and the Atomic Energy Control Board. Additionally, a number of public meetings have been held to review the project program with local communities. A decision to proceed with the project would be dependent upon successful conclusion of final contract arrangements with Commonwealth Edison, approval by

government and regulatory authorities, and upon confirmation of the feasibility work undertaken in the first half of the year.

**General Exploration**

Drilling on the first of three target areas at Melody Hill on the Company's exploration lands in Labrador has recently commenced. While additional highly radioactive boulders have been discovered, the source of these has not yet been located. New discoveries of radioactive boulders have also been made recently northeast of Mustang Lake, and mineralized outcrops have been identified northeast of Aurora Lake. All of these areas are within ten miles of the Michelin deposit.

Negotiations with a prospective new partner for future exploration for lead and zinc on the Jason property in the Yukon under the Ogilvie Joint Venture are proceeding favourably, and drilling is expected to commence in August. Exploration and drilling programs for base metals and uranium in Newfoundland are underway, and drilling is expected to start in August on an exploration program for uranium in the southern United States. Work is continuing on the Saskatchewan uranium properties.

**Merger with Conuco**

A Merger and Amalgamation Agreement was recently signed by the Company and by Conuco Limited and certain of its affiliated companies. The merger is to be accomplished by statutory amalgamation of Conuco and its affiliates and shortly thereafter all shareholders of the resulting amalgamated company will receive Brinco common and preferred shares in exchange for or on redemption of their shares in the amalgamated company. Completion of the merger is subject to approval by the Foreign Investment Review Agency, and to approval by the shareholders of both the Company and Conuco, which will be sought at shareholders' meetings early in the fall.

The Company's objective is to acquire significant oil and gas assets and become an active and aggressive participant in the Canadian oil and gas industry.

### **Coseka Resources Limited**

Brinco has a 25% interest in Coseka Resources Limited. Coseka is still adjusting to the January 1978 acquisition of Taiga Resources and the financial requirements of development programs in the Douglas Arch area of Colorado and Utah. Net income was \$2,266,837 or 22 cents per share of the nine-month period ending April 30, 1979. This compares to \$2,787,000 or 32 cents a share for the similar period in the previous fiscal year. Coseka has announced that the first well in their 1979 Douglas Arch development program was completed as a successful gas well. The well was drilled as a step-out to a Dakota formation gas discovery made last year in the Thunder area of Colorado. The new well tested 4.8 million cubic feet per day through a one-inch orifice plate from the Dakota formation at a depth of 6,100 feet. The planned 1979 program consists of the drilling of a minimum of 50 wells, 38 of which will be Dakota tests. At the peak of the program, six drilling rigs will be employed.

Wharf Resources Ltd. (44% owned by Coseka) will begin operations in the fall at its open pit gold-silver mine near Landusky, Montana.

### **Administrative Changes**

The major reorganization of Brinco's management structure initiated in September 1978 has now been completed with the appointment of a Vice-President — Finance. Relocation of the Company's executive offices from Mississauga to 20 King Street West, Toronto took place in mid-July.

### **Financial Results**

Consolidated net earnings before extraordinary item for the six months ended June 30, 1979 were \$247,000 compared with \$289,000 as restated for the same period in 1978.

Consolidated net earnings for the six months to June 30, 1979 were \$442,000 compared to net earnings of \$1,898,000, as restated, for the same period last year. The restatement of 1978 earnings relates to the increase in book value of Brinco's investment in Coseka

Resources Limited as a result of Coseka's acquisition of Taiga Resources Limited.

Expenses related to the proposed merger with Conuco Limited, the agreement with Commonwealth Edison, and the costs associated with the corporate reorganization undertaken at the beginning of the year were major factors in the increase in expenditures for the six months ended June 30, 1979.

Working capital at the end of the period was \$43.6 million.

August 7, 1979



Consolidated Statement of Earnings  
for the six months ended June 30, 1979  
(with comparative figures for 1978)

	(Unaudited) \$ Thousands	
	1979	1978 (restated)
Income:		
Income from short-term investments ..	2,355	1,779
Expenses:		
Administrative .....	1,449	807
Interest on bank loan .....	55	26
Depreciation and amortization .....	84	56
Exploration expenditures and other costs related to natural resources — net of recoveries from partners ...	749	1,048
	<u>2,337</u>	<u>1,937</u>
Earnings (loss) before items set out separately below .....	18	(158)
Income taxes .....	152	55
	( 134 )	(213)
Equity in net income of Coseka Resources Limited .....	381	502
	<u>247</u>	<u>289</u>
Extraordinary item:		
Reduction in income taxes due to utilization of exploration and other costs expensed in prior years .....	152	—
Increase in book value of investment in Coseka Resources Limited .....	—	1,576
	<u>399</u>	<u>1,865</u>
Minority interest in loss of subsidiary ....	43	33
Net earnings .....	<u>442</u>	<u>1,898</u>
Net earnings per share before extraordinary item .....	2.0¢	2.2¢
Net earnings per share .....	<u>3.0¢</u>	<u>13.0¢</u>

Consolidated Statement of Changes  
in Financial Position  
for the six months ended June 30, 1979  
(with comparative figures for 1978)

	(Unaudited) \$ Thousands	
	1979	1978
Source of funds:		
Net loss before equity in net income of Coseka Resources Limited and extraordinary item .....	134	213
Items not affecting working capital during the period:		
Depreciation and amortization .....	84	56
Income taxes .....	152	55
Other .....	—	13
Funds provided (used) by operations .....	102	(89)
Reduction of long term advances .....	—	6
Proceeds from issue of common shares .....	72	—
Total funds provided (used) .....	<u>174</u>	<u>(83)</u>
Use of funds:		
Project expenditures:		
Abitibi asbestos .....	45	51
Labrador uranium .....	756	499
Other .....	6	12
Purchase of fixed assets — net .....	239	73
Investments in other companies .....	220	—
Long term advances — net .....	39	—
Total funds used .....	<u>1,305</u>	<u>635</u>
Decrease in working capital .....	1,131	718
Working capital at beginning of period ..	44,757	47,049
Working capital at end of period .....	<u>43,626</u>	<u>46,331</u>

The consolidated financial statements of Brinco Limited include the accounts of all its subsidiaries.

AR30

# Brinco LIMITED

20 King Street West, Toronto, Ontario M5H 1C4

On peut obtenir le texte français de ce rapport auprès du service des relations publiques, Brinco Limited, 20 King Street West, Toronto, Ontario. M5H 1C4.

## Report to the Shareholders

For the six months ended  
June 30, 1979

## NOTICE

### of ANNUAL and EXTRAORDINARY GENERAL MEETING

NOTICE is hereby given that the Annual and Extraordinary General Meeting of Brinco Limited (the "Company") will be held in the Salon Jolliet of the Queen Elizabeth Hotel, Montreal, Quebec, at 11:00 a.m. (Montreal Time) on Thursday, April 29, 1976:

1. To consider the Company's accounts and balance sheet and the reports of the directors and auditors for the year ended December 31, 1975 and, if thought fit, pass as an Ordinary Resolution, Resolution No. 1, entitled "Accounts and Reports";
2. To consider and, if thought fit, pass as a Special Resolution, Resolution No. 2, entitled, "Eligibility of Directors for Re-election";
3. To elect directors;
4. To appoint auditors and authorize the directors to fix their remuneration;
5. To transact such other business of the Company as may properly come before the Meeting.

The Resolutions referred to above are set forth on the following page.

Any Shareholder who is unable to attend the Meeting in person is entitled to be represented by a proxy and is requested, after referring to the pertinent sections of the attached Information Circular, to date, sign and return the enclosed form of proxy to The Royal Trust Company, P.O. Box 1810, Station "B", Montreal H3B 3L5, Province of Quebec, not less than forty-eight hours before the time fixed for the Meeting. A proxy need not be a Shareholder of the Company.

Dated this 2nd day of April, 1976.

By Order of the Board

Paul F. McDonald

Secretary

Attached hereto:

Information Circular

Enclosed herewith:

Form of Proxy

Addressed envelope

(Version française au verso)



## **RESOLUTIONS**

Resolution No. 1 — To be Proposed as an Ordinary Resolution “Accounts and Reports”

RESOLVED

THAT the Company’s accounts and balance sheet and the reports of the directors and auditors for the year ended December 31, 1975 be and they are hereby adopted.

Resolution No. 2 — To be Proposed as a Special Resolution “Eligibility of Directors for Re-election”

RESOLVED

THAT Article 70 of the Articles of Association, which now reads:

“70. A retiring Director shall be eligible for re-election except that, after January 1, 1973, any person who has attained the age of 70 shall not be eligible to be appointed, elected, or re-elected a Director.”

is hereby repealed and replaced by the following:

“70. A retiring Director shall be eligible for re-election, except that, unless by Resolution of the Board specifically otherwise provided with respect to any retiring director, no person who has attained the age of 70 shall be eligible for appointment, election, or re-election as a director.”

## **INFORMATION CIRCULAR**

This Information Circular is furnished in accordance with the provisions of The Securities Act of Ontario, R.S.O. 1970, c. 426, as amended, in connection with the solicitation by the management of Brinco Limited (the "Company") of proxies to be voted at the Annual and Extraordinary General Meeting of the Company (the "Meeting"), to be held on the date and for the purposes set forth in the accompanying Notice of the Meeting. The information contained herein is given as of the 2nd day of April, 1976.

### **Solicitation of Proxies**

In addition to the present solicitation by management, proxies may also be solicited on behalf of management by directors, officers, and regular employees of the Company, by mail, by telegram or by telephone. The cost of solicitation, which is expected to be nominal, will be borne by the Company.

### **Particulars of Special Matters To Be Acted Upon**

At the Meeting, Shareholders will be asked to: —  
pass a Special Resolution (Resolution No. 2 — Eligibility of Directors for Re-election) repealing and replacing Article 70 of the Articles of Association for the purpose of enabling the Board to provide for the eligibility for appointment, election or re-election of a retiring director who has attained the age of 70.

### **Election of Directors**

At the last Annual Meeting of Shareholders held on March 20th, 1975, Shareholders elected eleven (11) directors.

Pursuant to the powers conferred upon the Board by the Articles of Association, the Board at a meeting held on June 3, 1975, adopted a resolution whereby the number of directors was increased from eleven (11) to twelve (12).

The shares represented by the proxies solicited will be voted for the election of each of the proposed nominees listed below (or for substitute nominees in the event of contingencies not known at the date hereof). Each such nominee who is elected a director shall hold office until his retirement at the close or adjournment of the next following Annual General Meeting, unless his office is vacated earlier. The Articles of Association presently provide that at every Annual General Meeting all of the directors shall retire from office and that any retiring director or any person shall be eligible for re-election, election or appointment as a director provided that he has not attained the age of seventy (70).

As stated under the heading "Particulars of Special Matters To Be Acted Upon", it is proposed to pass a Special Resolution at the Meeting for the purpose of modifying the age restriction with respect to retiring directors.

## PROPOSED NOMINEES FOR ELECTION

The following directors who will retire at the close or adjournment of the Meeting, are proposed for nomination for election as directors at the Meeting:—

<i>Name</i>	<i>Period of Service as a Director [From]</i>	<i>Common Shares of the Company beneficially owned, directly or indirectly</i>
George Baker	March 1975	—
E. Jacques Courtois, Q. C.	April 1973	500
Donald R. De Laporte*	October 1975	—
Paul G. Desmarais*	April 1969	100
Lewis W. Foy	April 1969	1,000
Jean-Paul Gignac*	January 1970	100
Sam Harris*	July 1963	—
Hiro Hiyama	April 1973	—
Harry W. Macdonell, Q. C.	April 1971	—
Edmund L. de Rothschild, T.D.	June 1954	—
Harold L. Snyder	January 1975	135
Sir Mark Turner* +	January 1976	—

\* Member of the Executive Committee of the Board.

+ The Board on February 26th, 1976, passed a resolution declaring Sir Mark Turner eligible for election as a director, conditional upon the passing at the Meeting of Resolution No. 2 "Eligibility of Directors for Re-election".

## PRINCIPAL OCCUPATION OF PROPOSED NOMINEES FOR ELECTION

Set out below is the principal occupation or employment of each person proposed to be nominated for election as a director, and where applicable positions and offices with the Company held by them, and in respect of Donald R. De Laporte and Sir Mark Turner, their principal occupations or employments within the five preceding years:

George Baker, Assistant to the President of the Company, Montreal, Quebec.

E. Jacques Courtois, a partner of Messrs. Weldon, Courtois, Clarkson, Parsons & Tétrault, advocates, barristers and solicitors, Montreal, Quebec.

Donald R. De Laporte, President and Chief Executive Officer of the Company, Montreal, Quebec, since October 1, 1975. From 1968 to 1975, Mr. De Laporte was Vice-President, Western Minerals Division of Falconbridge Nickel Mines Limited; President and Managing Director of Giant Yellowknife Mines Ltd.; and President of United Keno Hill Mines Ltd.

Paul G. Desmarais, Chairman and Chief Executive Officer of Power Corporation of Canada, Limited, an investment and management company, Montreal, Quebec.

Lewis W. Foy, Chairman of Bethlehem Steel Corporation, manufacturer of steel and steel products, Bethlehem, Pa., U.S.A.

Jean-Paul Gignac, President and Chief Executive Officer of Sidbec-Dosco, manufacturer of steel and steel products, Montreal, Quebec.



Sam Harris, a senior partner of Fried, Frank, Harris, Shriver and Jacobson, attorneys-at-law, New York, U.S.A.

Hiro Hiyama, Consultant to Marubeni Corporation, a trading company, Tokyo, Japan.

Harry W. Macdonell, a partner of McCarthy & McCarthy, barristers and solicitors, Toronto, Ontario.

Edmund Leopold de Rothschild, Consultant to Rothschild Continuation Limited, London, England.

Harold L. Snyder, Director of the Centre for Cold Ocean Resources Engineering, Memorial University, St. John's, Newfoundland.

Sir Mark Turner, Chairman and Chief Executive of The Rio Tinto-Zinc Corporation Limited, an international mining and industrial corporation, London, England, since December 22, 1975, and prior thereto, Deputy Chairman of the same corporation. Previously, he was a Director of the Company from April 11, 1969 to March 20, 1975. He was appointed a Director and elected Chairman of the Company on January 13, 1976.

### **Appointment of Auditors**

It is intended that the shares represented by the proxies hereby solicited will be voted for the reappointment of Peat, Marwick, Mitchell & Co., 1155 Dorchester Blvd. West, Montreal, Quebec, as auditors of the Company to hold office until the next Annual General Meeting of the Company, and for the authorization of the directors to fix their remuneration.

### **Voting Shares and Principal Holders Thereof**

As of the date hereof, there were outstanding in the hands of shareholders 14,636,418 common shares of the Company's capital stock, without nominal or par value.

The common shares are the only class of shares of the Company which are issued and outstanding, and entitled to be voted at the Meeting.

To the knowledge of the directors and senior officers of the Company, the only person or corporation which beneficially owns (within the meaning of The Securities Act (Ontario)) directly or indirectly, more than 10% of the outstanding common shares of the Company is The Rio Tinto-Zinc Corporation Limited, 6 St. James's Square, London, England ("RTZ"). At the date hereof, RTZ owns 100 common shares directly, and through a wholly owned subsidiary, Tinto Holdings Canada Limited, Suite 3209, Toronto-Dominion Centre, Toronto, Ontario ("Tinto"), RTZ beneficially owns 2100 common shares. Thornwood Investments Limited (having the same address as Tinto), which is 80% owned by RTZ and 20% by Bethlehem Steel Corporation, Bethlehem, Pa., U.S.A. ("Bethlehem"), owns 12,113,831 common shares. For the purpose of The Securities Act (Ontario) on the date hereof, RTZ is deemed to own beneficially 12,116,031 (82.8%) of the outstanding common shares of the Company. RTZ's net beneficial interest in the common share equity of the Company is 66.2% and that of Bethlehem is 16.6%. Marubeni Corporation and the Fuji Bank, Limited are the beneficial owners of an aggregate of 1,200,000 (8.2%) common shares.

Upon a show of hands, every Shareholder present in person and every proxy who is not a Shareholder and who represents a Shareholder entitled to vote shall have one vote only.

Upon a poll, which may be demanded by the Chairman of the Meeting or by Shareholders representing not less than 5% of the shares represented at the Meeting in person or by proxy and entitled to vote, every such Shareholder shall have one vote for each common share of the Company registered in his name. A Shareholder may appoint another person, who need not be a Shareholder

of the Company, as his proxy to attend and vote in his place and stead; where a corporation, being a Shareholder entitled to vote, is present by proxy, or by a person duly appointed who is not a Shareholder, such proxy or person shall, in addition to voting on a poll, be entitled to vote for such corporation on a show of hands. Upon a poll, the passing of an Ordinary Resolution requires the approval of a majority of the common shares represented at the Meeting either in person or by proxy. The passing of a Special Resolution requires the approval of at least 75% of the votes cast.

The instrument appointing the proxy shall be in writing under the hand of the Shareholder or of his attorney, duly authorized in writing or, if the Shareholder be a corporation, either under its corporate seal or under the hand of an officer or its attorney so authorized.

The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, to be effective, must be deposited with The Royal Trust Company, P.O. Box 1810, Station "B", Montreal, Quebec H3B 3L5, not less than forty-eight hours before the time appointed for holding the Meeting or adjourned Meeting at which the person named in the instrument proposes to vote. The instrument appointing a proxy shall be valid only for the Meeting for which it is given or any adjournment thereof.

### **Voting of Shares Represented by Management Proxy**

The accompanying form of proxy confers discretionary voting authority upon the persons designated therein. The shares represented by any valid Instrument of Proxy on the said form and appointing the persons named therein to represent the Shareholder at the Meeting will be voted in accordance with the directions of the Shareholder as specified in the Instrument of Proxy in respect of each Resolution referred to in the Notice of Meeting. In the absence of such directions the shares represented by such Instrument of Proxy will be voted in favor of each such Resolution.

Management is not aware of any matters other than those identified in the Notice of Meeting that may come before the Meeting. If, however, other matters properly come before the Meeting, or there are any amendments or variations to matters identified in the Notice of Meeting, the persons designated in the accompanying form of proxy will vote thereon in accordance with their best judgment pursuant to the discretionary authority conferred by the Instrument of Proxy with regard to such matters.

### **Designation of Persons Other Than Those Named in the Management Proxy**

Each Shareholder has the right to designate as his proxy a person other than those designated in the accompanying form of proxy to attend and vote for such Shareholder at the Meeting. Any Shareholder desiring to exercise such right may do so by striking out the names of the persons designated in the accompanying form of proxy and inserting, in the space provided, the name of the person he wishes to designate as his proxy, or he may do so by executing an instrument appointing a proxy in a form similar to the accompanying form of proxy.

### **Revocability of Proxy**

A Shareholder giving a proxy has power to revoke it at any time before it has been exercised, provided notice in writing of such revocation shall have been received by the Company at its registered office, Suite 1101, Royal Trust Building, Water Street, St. John's, Newfoundland, at least forty-eight hours before the commencement of the Meeting or adjourned Meeting at which the Instrument of Proxy is to be used.

## **Remuneration of Management and Others**

The aggregate direct remuneration paid or agreed to be paid to directors and senior officers of the Company during the year ended December 31, 1975 was \$396,516. The aggregate remuneration paid or proposed to be paid to senior officers, including senior officers who are directors, as bonuses, retirement or severance allowances is \$297,576. The letter agreement dated July 17, 1974, whereby Rio Tinto North American Services Limited agreed to provide certain senior management personnel to the Company on a reimbursement of expenses basis, was continued during 1975 and the amount paid by the Company pursuant to the terms of this agreement for 1975 was \$479,226, including \$399,850 for retirement and severance allowances.

The estimated aggregate cost to the Company and its subsidiaries in the year ended December 31, 1975 of all pension benefits proposed to be paid under any normal pension plan, directly or indirectly, by the Company and its subsidiaries to directors and senior officers of the Company, in the event of their retirement at normal retirement age, was \$24,181.

Since January 1, 1975, no options have been granted to senior officers to purchase common shares of the Company.

Dated as of the 2nd day of April, 1976.

By Order of the Board

Paul F. McDonald,

Secretary







**Rémunération versée à des membres de la direction et à d'autres**

La rémunération globale directe versée ou qui doit être versée à la suite d'une entente aux administrateurs et aux cadres supérieurs de la Compagnie au cours de l'exercice terminé le 31 décembre 1975 s'est élevée à \$396,516. La rémunération globale versée ou que l'on se propose de verser aux cadres supérieurs, y compris les cadres supérieurs qui sont administrateurs, à titre de prime ou à titre d'indemnité de retraite ou de départ est de \$297,576. La lettre d'entente datée du 17 juillet 1974, selon laquelle Rio Tinto North American Services Limited a convenu de fournir certains cadres supérieurs à la Compagnie contre le remboursement des dépenses encourues, fut maintenue au cours de 1975 et le montant versé par la Compagnie en vertu de la lettre d'entente pour 1975 a été de \$479,226, y compris la somme de \$399,850 à titre d'indemnité de retraite ou de départ.

La contribution globale approximative de la Compagnie et ses filiales au cours de l'exercice terminé le 31 décembre 1975 à toutes les pensions qu'elle se propose de verser, directement ou indirectement, en vertu de tout régime de retraite normale aux administrateurs et aux cadres supérieurs de la Compagnie, en cas de retraite à l'âge normal de retraite a été de \$24,181. Depuis le 1er janvier 1975, aucune option n'a été accordée aux cadres supérieurs pour acheter des actions ordinaires de la Compagnie.

Date ce 21ème jour d'avril 1976.

Par ordre du Conseil,  
Le Secrétaire,

Paul F. McDonald



personne, actionnaire ou non, comme son fondé de pouvoir pour assister à l'Assemblée et y voter à sa place et en son nom. Lorsqu'un actionnaire ayant droit de vote est une compagnie représentée par un fondé de pouvoir ou une personne dûment déléguée et qui n'est pas un actionnaire de la Compagnie, ce fondé de pouvoir ou cette personne aura le droit de voter aussi bien à main levée que par écrit. Lors d'un vote écrit, l'adoption d'une résolution ordinaire exige l'approbation de la majorité des actions ordinaires représentées à l'Assemblée soit en personne ou par fondé de pouvoir. L'adoption d'une résolution spéciale exige l'approbation d'au moins 75% des votes déposés. La procuration doit être signée de la main de l'actionnaire ou par son procureur dûment autorisé par écrit et si l'actionnaire est une compagnie, la procuration devra porter le sceau de la compagnie ou la signature d'un officier ou d'un procureur dûment autorisé.

La procuration ainsi que toute autorisation (s'il y a lieu) en vertu de laquelle elle est signée ou encore la copie notariée de telle autorisation, pour être valides, doivent être retournées à la Compagnie Trust Royal, Case postale 1810, Succursale B, Montréal, Québec, H3B 3L5 au plus tard quarante-huit heures avant l'heure fixée pour l'Assemblée ou tout ajournement d'icelle à laquelle la personne nommée dans ledit document se propose de voter. La procuration ne sera valide que pour l'Assemblée pour laquelle elle est donnée ou pour tout ajournement de celle-ci.

#### **Exercice du droit de vote par un fondé de pouvoir proposé par la direction**

La formule de procuration ci-jointe confère aux personnes qui y sont désignées des pouvoirs discrectionnaires de vote. Le droit de vote attaché aux actions représentées par toute procuration valide sera exercé conformément aux instructions de l'actionnaire précisées dans la procuration quant à chaque résolution mentionnée dans l'avis de convocation d'assemblée. À défaut de telles instructions, le droit de vote attaché aux actions représentées par ladite procuration sera exercé en faveur de chacune de ces résolutions.

La direction n'a connaissance d'aucune question autre que celles qui sont indiquées dans l'avis de convocation et qui seront soumises à l'Assemblée. Cependant, si d'autres questions sont soumises selon les règles à l'Assemblée, ou si des amendements ou des changements sont apportés aux propositions indiquées dans l'avis de convocation, les personnes désignées dans la formule de procuration ci-jointe voteront sur celles-ci d'après leur meilleur jugement en vertu du pouvoir discrétionnaire que leur confère la procuration à cet égard.

#### **Désignation de personnes autres que celles proposées par la direction dans la formule de procuration**

Tout actionnaire a le droit de désigner comme son fondé de pouvoir une personne autre que celle indiquée dans la formule de procuration ci-jointe pour assister à sa place à l'Assemblée et y voter en son nom. Tout actionnaire qui désire exercer ce droit peut le faire en biffant le nom des personnes indiquées dans la formule de procuration ci-jointe et en y inscrivant, à l'endroit prévu, le nom de la personne qu'il veut désigner comme son fondé de pouvoir. Il peut également le faire en signant une formule de procuration semblable à la formule ci-jointe.

#### **Révocabilité d'une procuration**

Tout actionnaire donnant une procuration peut révoquer celle-ci n'importe quand avant son exercice, pourvu qu'un avis écrit de cette révocation parvienne au siège social de la Compagnie, Suite 1101, Royal Trust Building, St. John's, Terre-Neuve au moins quarante-huit heures avant le début de l'Assemblée ou de son ajournement, pour laquelle la procuration a été donnée.

Sam Harris, associé principal de Fried, Frank, Harris, Shriver and Jacobson, avocats, New York, É.-U.

Hiro Hiyama, Conseiller de Marubeni Corporation, entreprise commerciale, Tokyo, Japon.  
Harry W. Macdonell, associé de McCarthy et McCarthy, avocats, Toronto, Ontario.

Edmund Leopold de Rothschild, Conseiller de Rothschild Continuation, Londres, Angleterre.  
Harold L. Snyder, Directeur du Centre for Cold Ocean Resources Engineering, Université Memorial, St. John's, Terre-Neuve.

Sir Mark Turner, Président du Conseil et Chef de la direction de The Rio Tinto-Zinc Corporation Limited, une corporation minière et industrielle internationale, Londres, Angleterre, depuis le 22 décembre 1975, et auparavant, Vice-président du conseil de la même corporation. Antérieurement, il a été administrateur de la Compagnie du 11 avril 1969 au 20 mars 1975. Il a été nommé administrateur et élu Président du Conseil de la Compagnie le 13 janvier 1976.

### **Nomination des vérificateurs**

Il est prévu que le droit de vote attaché aux actions représentées par les procurations sollicitées par les présentes sera exercé pour le maintien dans leurs fonctions de Peat, Marwick, Mitchell & Cie, 1155 ouest, boulevard Dorchester, Montréal, Québec, comme vérificateurs de la Compagnie jusqu'à la prochaine Assemblée générale annuelle de la Compagnie, et pour autoriser les administrateurs à fixer leur rémunération.

### **Actions donnant droit de vote et principaux détenteurs de celles-ci**

En date des présentes, il y avait en circulation dans les mains de ses actionnaires 14,636,418 actions ordinaires sans valeur nominale ou au pair de la Compagnie.  
Les actions ordinaires de la Compagnie forment la seule classe d'actions de la Compagnie qui soient émises et en circulation et qui donnent droit de vote à l'Assemblée.

À la connaissance des administrateurs et des cadres supérieurs de la Compagnie, la seule personne ou compagnie qui détient à titre de propriétaire réel (au sens de The Securities Act (Compagnie)), directement ou indirectement, plus de 10% des actions ordinaires en circulation de la Compagnie est The Rio Tinto-Zinc Corporation Limited, 6 St. James's Square, Londres, Angleterre ("RTZ"). À la date des présentes, RTZ détient en propre 100 actions ordinaires et par l'entremise de sa filiale à part entière, Tinto Holdings Canada Limited, Suite 3209, Toronto-Dominion Centre, Toronto, Ontario, ("Tinto"), RTZ détient à titre de propriétaire réel 2,100 actions ordinaires. Thornwood Investments Limited (de la même adresse que Tinto), détenue à 80% par RTZ et 20% par Bethlehem Steel Corporation, Bethlehem, Pa., É.-U. ("Bethlehem"), détient 12,113,831 actions ordinaires. À la date des présentes, au sens de The Securities Act (Ontario), RTZ est présumée détenir à titre de propriétaire réel 12,116,031 (82.8%) des actions ordinaires en circulation de la Compagnie et l'intérêt net à titre de propriétaire réel dans le capital-actions ordinaire de la Compagnie est de 66.2% et celui de Bethlehem est de 16.6%. Marubeni Corporation et The Fuji Bank Limited, sont détenteurs à titre de propriétaire réel d'un nombre global de 1,200,000 (8.2%) actions ordinaires.

Lors d'un vote à main levée, chaque actionnaire en personne et chaque fondé de pouvoir qui n'est pas un actionnaire mais qui représente un actionnaire ayant un droit de vote aura droit à un seul vote.

À l'occasion d'un vote écrit, qui peut être demandé par le président de l'Assemblée ou par des actionnaires représentant au moins 5% des actions représentées à l'Assemblée soit en personne soit par fondé de pouvoir et ayant droit de vote, chaque actionnaire aura droit à un vote par action ordinaire de la Compagnie enregistrée en son nom. Tout actionnaire peut déléguer une autre



## PERSONNES PROPOSÉES POUR ÉLECTION

Les administrateurs ci-après se retireront à la clôture ou à l'ajournement de l'Assemblée et sont proposés à la nomination pour élection comme administrateurs lors de l'Assemblée :

Nombre d'actions ordinaires de la Compagnie détenues à titre de propriétaire réel directement ou indirectement	Administrateur depuis	Nom	
—	Mars 1975	George Baker	
500	Avril 1973	E. Jacques Courtois, C.R.	
—	Octobre 1975	Donald R. De Laporte *	
100	Avril 1969	Paul G. Desmarais *	
1,000	Avril 1969	Lewis W. Foy	
100	Janvier 1970	Jean-Paul Gignac *	
—	Juillet 1963	Sam Harris *	
—	Avril 1973	Hiro Hiyama	
—	Avril 1971	Harry W. Macdonell, C.R.	
—	Avril 1971	Edmund L. de Rothschild, T.D.	
—	Juin 1954	Harold L. Snyder	
135	Janvier 1975	Sir Mark Turner *	
—	Janvier 1976		

\* Membre du comité de direction du conseil d'administration.

+ Le 26 février 1976, le Conseil a adopté une résolution déclarant que Sir Mark Turner est admissible à élection comme administrateur, laquelle est soumise à l'adoption, à l'Assemblée, de la résolution No. 2

"Éligibilité des administrateurs à réélection".

## OCCUPATION PRINCIPALE DES PERSONNES PROPOSÉES À L'ÉLECTION

Vous trouverez ci-dessous l'occupation ou l'emploi principal de chaque personne proposée comme candidat à l'élection comme administrateur et, s'il y a lieu, les postes ou emplois qu'ils occupent dans la Compagnie, et, quant à Donald R. De Laporte et Sir Mark Turner leur occupation ou emploi principal au cours des cinq dernières années :

George Baker, adjoint au Président de la Compagnie, Montréal, Québec.

E. Jacques Courtois, associé de Weldon, Courtois, Clarkson, Parsons & Tétrault, avocats, Montréal, Québec.

Donald R. De Laporte, Président et Chef de la direction de la Compagnie, Montréal, Québec, depuis le 1<sup>er</sup> octobre 1975. De 1968 à 1975, M. De Laporte était Vice-président, Western Minerals Division de Falconbridge Nickel Mines Limited; Président et directeur général de Giant Yellowknife Mines Ltd.; et Président de United Keno Hill Mines Ltd.

Paul G. Desmarais, Président du Conseil et Chef de la direction de Power Corporation of Canada, Limited, une société de gestion et placement, Montréal, Québec.

Lewis W. Foy, Président du Conseil de Bethlehem Steel Corporation, producteur d'acier et de produits d'acier, dont le siège social est à Bethlehem, Pa., E.-U.

Jean-Paul Gignac, Président et Chef de la direction de Sidbec-Dosco, producteur d'acier et de produits d'acier, Montréal, Québec.



## CIRCULAIRE D'INFORMATION

Cette circulaire d'information vous est envoyée, conformément aux dispositions de The Securities Act of Ontario, R.S.O. 1970, c. 426, telle qu'amendée, à l'occasion de la sollicitation par la direction de Brinco Limited (la "Compagnie") de procurations pour l'exercice de droits de vote à l'Assemblée générale annuelle et extraordinaire de la Compagnie ("l'Assemblée") qui sera tenue à la date et pour les fins indiquées dans l'avis de convocation ci-joint. Les informations contenues dans les présentes sont données en date du 21<sup>ème</sup> jour d'avril 1976.

### Demandes de procurations

Outre cette sollicitation de procurations par la direction, des demandes de procurations pourront être faites au nom de la direction par des administrateurs, des officiers et des employés permanents de la Compagnie, soit par la poste, soit par télégramme, soit par téléphone. Le coût de la sollicitation, qui devrait être minime, sera aux frais de la Compagnie.

### Détails des questions spéciales à l'ordre du jour

Lors de l'Assemblée, les actionnaires seront appelés à adopter une résolution spéciale (Résolution No. 2 — Éligibilité des administrateurs à réélection) annulant et remplaçant l'Article 70 des statuts de la Compagnie, qui donnera au Conseil le pouvoir de prévoir l'admissibilité à nomination, élection ou réélection d'un administrateur sortant de charge qui a atteint l'âge de 70 ans.

### Election des administrateurs

À la dernière Assemblée annuelle des actionnaires tenue le 20 mars 1975, les actionnaires ont élu onze (11) administrateurs.

Conformément aux pouvoirs conférés au Conseil par les statuts, le Conseil a adopté une résolution lors d'une réunion tenue le 3 juin 1975, selon laquelle le nombre des administrateurs a été porté de onze (11) à douze (12).

Le droit de vote attaché aux actions représentées par les procurations sollicitées dans les présentes sera exercé pour l'élection de chaque personne proposée nommée dans la liste ci-après (ou des personnes qui pourront les remplacer en cas de circonstances imprévues). Les personnes ainsi élues administrateurs seront en fonction jusqu'à ce qu'elles se retirent à la clôture ou l'ajournement de la prochaine Assemblée générale annuelle, à moins que leur poste d'administrateur devienne vacant auparavant, tel que prévu dans les statuts de la Compagnie. En vertu des statuts actuels, tous les administrateurs de la Compagnie se retireront à toute Assemblée générale annuelle et tout administrateur s'étant retiré ou toute autre personne sera éligible à réélection, élection et nomination en tant qu'administrateur pourvu qu'il n'ait pas atteint l'âge de soixante-dix (70) ans. À la rubrique "Détails des questions spéciales à l'ordre du jour", il a été proposé de voter une résolution spéciale lors de l'Assemblée aux fins de modifier la restriction d'âge relative aux administrateurs sortant de charge.

## RÉSOLUTIONS

Résolution No. 1 — À être présentée comme résolution ordinaire, “Comptes et rapports”

IL EST RÉSOLU

QUE les comptes et le bilan de la Compagnie ainsi que les rapports des administrateurs et des vérificateurs pour l'exercice terminé le 31 décembre 1975 soient et ils sont par les présentes adoptés.

Résolution No. 2 — À être présentée comme résolution spéciale, “Éligibilité des administrateurs à réélection”

IL EST RÉSOLU

QUE l'article 70 des statuts de la Compagnie, tel qu'il se lit présentement :

“70. Un administrateur qui prend sa retraite sera éligible à réélection sauf que, après le 1<sup>er</sup> janvier 1973, toute personne ayant atteint l'âge de 70 ans ne sera pas admissible à être nommée, élue ou réélue comme administrateur.”

soit annulé par les présentes et remplacé par ce qui suit :

“70. Un administrateur qui prend sa retraite sera éligible à réélection sauf que, à moins d'une résolution du Conseil stipulant spécifiquement le contraire quant à tout administrateur prenant sa retraite, aucune personne ayant atteint l'âge de 70 ans sera admissible pour nomination, élection ou réélection comme administrateur.”

**AVIS DE CONVOCATION****d'une ASSEMBLÉE GÉNÉRALE  
ANNUELLE et EXTRAORDINAIRE**

AVIS est par les présentes donné que l'Assemblée générale annuelle et extraordinaire de Brinco Limited (la "Compagnie") sera tenue au Salon Joliet de l'hôtel Le Reine Elizabeth, à Montréal, Québec, le jeudi 29 avril, à 11 heures (heure de Montréal) aux fins suivantes :

1. Considérer les comptes et le bilan de la Compagnie, les rapports des administrateurs et des vérificateurs pour l'exercice terminé le 31 décembre 1975 et, si jugé à propos, adopter comme résolution ordinaire la résolution No. 1, intitulée "Comptes et rapports";
2. Considérer et, si jugé à propos, adopter comme résolution spéciale la résolution No. 2, intitulée "Éligibilité des administrateurs à réélection";

3. Elire les administrateurs;

4. Nommer les vérificateurs et autoriser les administrateurs à fixer leur rémunération;

5. Traiter toute autre affaire de la Compagnie qui pourrait être valablement soulevée lors de l'Assemblée.

Les résolutions mentionnées ci-dessus vous sont exposées à la page suivante.

Les actionnaires qui ne pourront assister à l'Assemblée ont le droit de s'y faire représenter par un fondé de pouvoir. À cet effet, ils sont priés de signer et de dater la formule de procuration ci-jointe, après avoir consulté les sections pertinentes de la Circulaire d'Information ci-annexée, et de la retourner à la Compagnie Trust Royal, Case Postale 1810, Succursale "B", Montréal, Québec, H3B 3L5 au moins 48 heures avant l'heure fixée pour l'Assemblée. Il n'est pas nécessaire que le fondé de pouvoir soit actionnaire de la Compagnie.

Date ce 21ème jour d'avril 1976.

Par ordre du Conseil

Le secrétaire,

Paul F. McDonald

Ci-annexée :

Circulaire d'Information

Ci-incluses :

Formule de procuration

Enveloppe pré-adressée

(English text over)



**AR30****NOTICE****of ANNUAL GENERAL MEETING**

NOTICE is hereby given that the Annual General Meeting of Brinco Limited (the "Company") will be held in the Ball Room of Le Château Champlain Hotel, Montreal, Quebec, at 11:00 a.m. (Montreal Time) on Thursday, April 28, 1977:

1. To consider the Company's accounts and balance sheet and the reports of the directors and auditors for the year ended December 31, 1976 and, if thought fit, pass as an Ordinary Resolution, Resolution No. 1, entitled "Accounts and Reports";
2. To elect directors;
3. To appoint auditors and authorize the directors to fix their remuneration;
4. To transact such other business of the Company as may properly come before the Meeting.

Resolution No. 1 referred to above is set forth on the following page.

Any Shareholder who is unable to attend the Meeting in person is entitled to be represented by a proxy and is requested, after referring to the pertinent sections of the attached Information Circular, to date, sign and return the enclosed form of proxy to The Royal Trust Company, P.O. Box 1810, Station "B", Montreal, Quebec H3B 9Z9, not less than forty-eight hours before the time fixed for the Meeting. A proxy need not be a Shareholder of the Company.

Dated this 4th day of April, 1977.

By Order of the Board

Paul F. McDonald

Secretary

Attached hereto:

Information Circular

Enclosed herewith:

Form of Proxy

Addressed envelope

(Version française au verso)

## **RESOLUTION**

Resolution No. 1 — To be Proposed as an Ordinary Resolution "Accounts and Reports"

RESOLVED

THAT the Company's accounts and balance sheet and the reports of the directors and auditors for the year ended December 31, 1976, be and they are hereby adopted.

## INFORMATION CIRCULAR

This Information Circular is furnished in accordance with the provisions of The Securities Act of Ontario, R.S.O. 1970, c. 426, as amended, in connection with the solicitation by the management of Brinco Limited (the "Company") of proxies to be voted at the Annual General Meeting of the Company (the "Meeting"), to be held on the date and for the purposes set forth in the accompanying Notice of the Meeting. The information contained herein is given as of the 25th day of March, 1977.

### Solicitation of Proxies

**In addition to the present solicitation by management, proxies may also be solicited on behalf of management by directors, officers, and regular employees of the Company, by mail, by telegram or by telephone. The cost of solicitation, which is expected to be nominal, will be borne by the Company.**

### Election of Directors

The shares represented by the proxies solicited will be voted for the election of each of the proposed nominees listed below (or for substitute nominees in the event of contingencies not known at the date hereof). Each such nominee who is elected a director shall hold office until his retirement at the close or adjournment of the next following Annual General Meeting, unless his office is vacated earlier. The Articles of Association presently provide that at every Annual General Meeting all of the directors shall retire from office. All of the directors who will retire at the Meeting will, in accordance with the Articles of Association, be eligible for re-election at the Meeting.

### PROPOSED NOMINEES FOR ELECTION

The following directors who will retire at the close or adjournment of the Meeting, are proposed for nomination for election as directors at the Meeting: —

Name	Period of Service as a Director (From)	Common Shares of the Company beneficially owned, directly or indirectly
George Baker	March 1975	—
E. Jacques Courtois, Q.C.	April 1973	500
Donald R. De Laporte*	October 1975	—
Paul G. Desmarais*	April 1969	100
Lewis W. Foy	April 1969	1,000
Jean-Paul Gignac*	January 1970	100
Sam Harris*	July 1963	1,000
Harry W. Macdonell, Q.C.	April 1971	—
Taiichiro Matsuo	October 1976	—
Edmund L. de Rothschild, T.D.	June 1954	—
Harold L. Snyder	January 1975	135
Sir Mark Turner*	January 1976	—

\*Member of the Executive Committee of the Board.



## **PRINCIPAL OCCUPATION OF PROPOSED NOMINEES FOR ELECTION**

Set out below is the principal occupation or employment of each person proposed to be nominated for election as a director, and where applicable positions and offices with the Company held by them, and in respect of Taiichiro Matsuo, his principal occupation or employment within the five preceding years:

George Baker, retired, Victoria, British Columbia.

E. Jacques Courtois, a partner of Messrs. Courtois, Clarkson, Parsons & Tétrault, advocates, barristers and solicitors, Montreal, Quebec.

Donald R. De Laporte, President and Chief Executive Officer of the Company, Montreal, Quebec.

Paul G. Desmarais, Chairman and Chief Executive Officer of Power Corporation of Canada, Limited, an investment and management company, Montreal, Quebec.

Lewis W. Foy, Chairman of Bethlehem Steel Corporation, manufacturer of steel and steel products, Bethlehem, Pa., U.S.A.

Jean-Paul Gignac, President and Chief Executive Officer of Sidbec-Dosco Limited, manufacturer of steel and steel products, Montreal, Quebec.

Sam Harris, a partner of Fried, Frank, Harris, Shriver & Jacobson, attorneys-at-law, New York, U.S.A.

Harry W. Macdonell, a partner of McCarthy & McCarthy, barristers and solicitors, Toronto, Ontario.

Taiichiro Matsuo, President and Chief Executive Officer of Marubeni Corporation, a trading company, Tokyo, Japan since May 1975. From 1966 to 1975, Mr. Matsuo was Vice-President of Marubeni Corporation.

Edmund Leopold de Rothschild, President, N. M. Rothschild & Sons Limited, London, England.

Harold L. Snyder, Director, Centre for Cold Ocean Resources Engineering, Memorial University, St. John's, Newfoundland.

Sir Mark Turner, Chairman and Chief Executive of The Rio Tinto-Zinc Corporation Limited, an international mining and industrial corporation, London, England.

### **Appointment of Auditors**

It is intended that the shares represented by the proxies hereby solicited will be voted for the reappointment of Peat, Marwick, Mitchell & Co., 1155 Dorchester Blvd. West, Montreal, Quebec, as auditors of the Company to hold office until the next Annual General Meeting of the Company, and for the authorization of the directors to fix their remuneration.

### **Voting Shares and Principal Holders Thereof**

As of the date hereof, there were outstanding in the hands of shareholders, 14,636,418 common shares of the Company's capital stock, without nominal or par value.

The common shares are the only class of shares of the Company which are issued and outstanding, and entitled to be voted at the Meeting.

To the knowledge of the directors and senior officers of the Company, the only person or corporation which beneficially owns (within the meaning of The Securities Act (Ontario)) directly or indirectly, more than 10% of the outstanding common shares of the Company is The Rio Tinto-Zinc Corporation Limited, 6 St. James's Square, London, England ("RTZ"). At the date hereof, RTZ owns 100 common shares

directly, and through a wholly-owned subsidiary, Tinto Holdings Canada Limited, Suite 3209, Toronto-Dominion Centre, Toronto, Ontario ("Tinto"), RTZ beneficially owns 2100 common shares. Thornwood Investments Limited (having the same address as Tinto), which is 80% owned by RTZ and 20% by Bethlehem Steel Corporation, Bethlehem, Pa., U.S.A. ("Bethlehem"), owns 12,113,831 common shares. For the purpose of The Securities Act (Ontario) on the date hereof, RTZ is deemed to own beneficially 12,116,031, or 82.8% of the outstanding common shares of the Company. RTZ's net beneficial interest in the common share equity of the Company is 66.2% and that of Bethlehem is 16.6%. Marubeni Corporation and the Fuji Bank, Limited are the beneficial owners of an aggregate of 1,200,000, or 8.2% of the outstanding common shares of the Company.

Upon a show of hands, every Shareholder present in person and every proxy who is not a Shareholder and who represents a Shareholder entitled to vote shall have one vote only.

Upon a poll, which may be demanded by the Chairman of the Meeting or by Shareholders representing not less than 5% of the shares represented at the Meeting in person or by proxy and entitled to vote, every such Shareholder shall have one vote for each common share of the Company registered in his name. A Shareholder may appoint another person, who need not be a Shareholder of the Company, as his proxy to attend and vote in his place and stead; where a corporation, being a Shareholder entitled to vote, is present by proxy, or by a person duly appointed who is not a Shareholder, such proxy or person shall, in addition to voting on a poll, be entitled to vote for such corporation on a show of hands. Upon a poll, the passing of an Ordinary Resolution requires the approval of a majority of the common shares represented at the Meeting either in person or by proxy. The passing of a Special Resolution requires the approval of at least 75% of the votes cast.

The instrument appointing the proxy shall be in writing under the hand of the Shareholder or of his attorney, duly authorized in writing or, if the Shareholder be a corporation, either under its corporate seal or under the hand of an officer or its attorney so authorized.

The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, to be effective, must be deposited with The Royal Trust Company, P.O. Box 1810, Station "B", Montreal, Quebec H3B 9Z9, not less than forty-eight hours before the time appointed for holding the Meeting or adjourned Meeting at which the person named in the instrument proposes to vote. The instrument appointing a proxy shall be valid only for the Meeting for which it is given or any adjournment thereof.

### **Voting of Shares Represented by Management Proxy**

The accompanying form of proxy confers discretionary voting authority upon the persons designated therein. The shares represented by any valid Instrument of Proxy on the said form and appointing the persons named therein to represent the Shareholder at the Meeting will be voted in accordance with the directions of the Shareholder as specified in the Instrument of Proxy in respect of each Resolution referred to in the Notice of Meeting. In the absence of such directions the shares represented by such Instrument of Proxy will be voted in favor of each such Resolution.

Management is not aware of any matters other than those identified in the Notice of Meeting that may come before the Meeting. If, however, other matters properly come before the Meeting, or there are any amendments or variations to matters identified in the Notice of Meeting, the persons designated in the accompanying form of proxy will vote thereon in accordance with their best judgment pursuant to the discretionary authority conferred by the Instrument of Proxy with regard to such matters.

### **Designation of Persons Other Than Those Named in the Management Proxy**

Each Shareholder has the right to designate as his proxy a person other than those designated in the accompanying form of proxy to attend and vote for such Shareholder at the Meeting. Any Shareholder desiring to exercise such right may do so by striking out the names of the persons designated in the accompanying form of proxy and inserting, in the space provided, the name of the person he wishes to designate as his proxy, or he may do so by executing an instrument appointing a proxy in a form similar to the accompanying form of proxy.

## **Revocability of Proxy**

A Shareholder giving a proxy has power to revoke it at any time before it has been exercised, provided notice in writing of such revocation shall have been received by the Company at its registered office, Suite 1101, Royal Trust Building, Water Street, St. John's, Newfoundland, A1C 5J9, at least forty-eight hours before the commencement of the Meeting or adjourned Meeting at which the Instrument of Proxy is to be used.

## **Remuneration of Management and Others**

The aggregate direct remuneration paid or agreed to be paid to directors and senior officers of the Company during the year ended December 31, 1976 was \$555,000. The aggregate remuneration paid or proposed to be paid to senior officers, including senior officers who are directors, as bonuses, retirement or severance allowances was \$117,000.

The estimated aggregate cost to the Company and its subsidiaries in the year ended December 31, 1976 of all pension benefits proposed to be paid under any normal pension plan, directly or indirectly, by the Company and its subsidiaries to directors and senior officers of the Company, in the event of their retirement at normal retirement age, was \$21,000.

In 1975, 200,000 common shares were reserved for issuance in accordance with the provisions of the 1975 Stock Option Plan, which was approved by the shareholders on March 20, 1975. On September 2, 1976, options pursuant to the 1975 Stock Option Plan were granted on 95,500 common shares (including 35,000 to senior officers) at \$4.00 per share, to be exercised prior to September 2, 1981. The price range of the common shares for the 30 day period preceding the date of the option grant was a high of \$4.45 and a low of \$4.05.

Dated as of the 25th day of March, 1977.

By Order of the Board

Paul F. McDonald

Secretary



## Révocabilité d'une procuration

Tout actionnaire donnant une procuration peut révoquer celle-ci n'importe quand avant son exercice, pourvu qu'un avis écrit de cette révocation parvienne au siège social de la Compagnie, Suite 1101, Royal Trust Building, St. John's, Terre-Neuve, A1C 5J9 au moins quarante-huit heures avant le début de l'Assemblée ou de son ajournement, pour laquelle la procuration a été donnée.

## Rémunération versée à des membres de la direction et à d'autres

La rémunération globale directe versée ou qui doit être versée à la suite d'une entente aux administrateurs et aux cadres supérieurs de la Compagnie au cours de l'exercice terminé le 31 décembre 1976 s'est élevée à \$555,000. La rémunération globale versée ou que l'on se propose de verser aux cadres supérieurs, y compris les cadres supérieurs qui sont administrateurs, à titre de prime ou à titre d'indemnité de retraite ou de départ est de \$117,000.

La contribution globale approximative de la Compagnie et ses filiales au cours de l'exercice terminé le 31 décembre 1976 à toutes les pensions qu'elles se proposent de verser, directement ou indirectement, en vertu de tout régime de retraite normale aux administrateurs et aux cadres supérieurs de la Compagnie, en cas de retraite à l'âge normal de retraite a été de \$21,000.

Au cours de 1975, 200,000 actions ordinaires ont été mises de côté pour être émises en vertu des dispositions du régime d'option d'achat de 1975, approuvé par les actionnaires le 20 mars 1975. Le 2 septembre 1976 des options en vertu du régime d'option d'achat de 1975 ont été accordées sur 95,500 actions ordinaires (y compris 35,000 à des cadres supérieurs) à \$4.00 l'action, devant être exercées avant le 2 septembre 1981. Les cours extrêmes des actions ordinaires pour la période de 30 jours précédant la date où l'option a été accordée ont été de \$4.45 et de \$4.05.

Date ce 25ième jour de mars 1977.

Par ordre du Conseil,  
Le Secrétaire,  
Paul F. McDonald

Tout actionnaire a le droit de désigner comme son fondé de pouvoir une personne autre que celle indiquée dans la formule de procuration ci-jointe pour assister à sa place à l'Assemblée et y voter en son nom. Tout actionnaire qui désire exercer ce droit peut le faire en biffant le nom des personnes indiquées dans la formule de procuration ci-jointe et en y inscrivant, à l'endroit prévu, le nom de la personne qu'il veut désigner comme son fondé de pouvoir. Il peut également le faire en signant une formule de procuration semblable à la formule ci-jointe.

## Désignation de personnes autres que celles proposées par la direction dans la formule de procuration

La direction n'a connaissance d'aucune question autre que celles qui sont indiquées dans l'avis de convocation et qui seront soumises à l'Assemblée. Cependant, si d'autres questions sont soumises selon les règles à l'Assemblée, ou si des amendements ou des changements sont apportés aux propositions indiquées dans l'avis de convocation, les personnes désignées dans la formule de procuration ci-jointe voteront sur celles-ci d'après leur meilleur jugement en vertu du pouvoir discrétionnaire que leur confère la procuration à cet égard.

La formule de procuration ci-jointe confère aux personnes qui y sont désignées des pouvoirs discrétionnaires de vote. Le droit de vote attaché aux actions représentées par toute procuration valide sera exercé conformément aux instructions de l'actionnaire précisées dans la procuration quant à chaque résolution mentionnée dans l'avis de convocation d'assemblée. À défaut de telles instructions, le droit de vote attaché aux actions représentées par ladite procuration sera exercé en faveur de chacune de ces résolutions.

## Exercice du droit de vote par un fondé de pouvoir proposé par la direction

La procuration ainsi que toute autorisation (s'il y a lieu) en vertu de laquelle elle est signée ou encore la copie notariée de telle autorisation, pour être valides, doivent être retournées à la Compagnie Trust Royal, Case postale 1810, Succursale "B", Montréal, Québec, H3B 9Z9 au plus tard quarante-huit heures avant l'heure fixée pour l'Assemblée ou tout journement d'icelle à laquelle la personne nommée dans ledit document se propose de voter. La procuration ne sera valide que pour l'Assemblée pour laquelle elle est donnée ou pour tout journement de celle-ci.

La procuration doit être signée de la main de l'actionnaire ou par son procureur dûment autorisé par écrit et si l'actionnaire est une compagnie, la procuration devra porter le sceau de la compagnie ou la signature d'un officier ou d'un procureur dûment autorisé.

À l'occasion d'un vote écrit, qui peut être demandé par le président de l'Assemblée ou par des actionnaires représentant au moins 5% des actions représentées à l'Assemblée soit en personne soit par fondé de pouvoir et ayant droit de vote, chaque actionnaire aura droit à un vote par action ordinaire de la Compagnie enregistrée en son nom. Tout actionnaire peut déléguer une autre personne, actionnaire ou non, comme son fondé de pouvoir pour assister à l'Assemblée et y voter à sa place et en son nom. Lorsqu'un actionnaire ayant droit de vote est une compagnie représentée par un fondé de pouvoir ou une personne dûment déléguée et qui n'est pas un actionnaire de la Compagnie, ce fondé de pouvoir ou cette personne aura le droit de voter aussi bien à main levée que par écrit. Lors d'un vote écrit, l'adoption d'une résolution ordinaire exige l'approbation de la majorité des actions ordinaires représentées à l'Assemblée soit en personne ou par fondé de pouvoir. L'adoption d'une résolution spéciale exige l'approbation d'au moins 75% des votes déposés.

Lors d'un vote à main levée, chaque actionnaire en personne et chaque fondé de pouvoir qui n'est pas un actionnaire mais qui représente un actionnaire ayant un droit de vote aura droit à un seul vote.

Tinto Holdings Canada Limited, Suite 3209, Toronto-Dominion Centre, Toronto, Ontario ("Tinto"), RTZ détient à titre de propriétaire réel 2,100 actions ordinaires. Thornwood Investments Limited (de la même adresse que Tinto), détenue à 80% par RTZ et 20% par Bethlehem Steel Corporation, Bethlehem, Pa., E.-U. ("Bethlehem"), détient 12,113,831 actions ordinaires. À la date des présentes, au sens de The Securities Act (Ontario), RTZ est présumée détenir à titre de propriétaire réel 12,116,031, ou 82,8% des actions ordinaires en circulation de la Compagnie et l'intérêt net à titre de propriétaire réel dans le capital-actions ordinaires de la Compagnie est de 66,2% et celui de Bethlehem est de 16,6%. Marubeni Corporation et The Fuji Bank, Limited sont détenteurs à titre de propriétaire réel d'un nombre global de 1,200,000, ou 8,2% des actions ordinaires en circulation.

## OCCUPATION PRINCIPALE DES PERSONNES PROPOSÉES À L'ÉLECTION

Vous trouverez ci-dessous l'occupation ou l'emploi principal de chaque personne proposée comme candidat à l'élection comme administrateur et lorsqu'il y a lieu, leurs postes et fonction au sein de la Compagnie et quant à Taiichiro Matsuo, son occupation ou emploi principal au cours des cinq dernières années:

George Baker, retraité, Victoria, Colombie Britannique.

E. Jacques Courtois, associé de Courtois, Clarkson, Parsons & Tétrault, avocats, Montréal, Québec.

Donald R. De Laporte, Président et chef de la direction de la Compagnie, Montréal, Québec.

Paul G. Desmarais, Président du Conseil et chef de la direction de Power Corporation of Canada, Limited, une société de gestion et placement, Montréal, Québec.

Lewis W. Foy, Président du Conseil de Bethlehem Steel Corporation, producteur d'acier et de produits d'acier, Bethlehem, Pa., E.-U.

Jean-Paul Gignac, Président et chef de la direction de Sidbec-Dosco Limited, producteur d'acier et de produits d'acier, Montréal, Québec.

Sam Harris, associé de Fried, Frank, Harris, Shriver & Jacobson, avocats, New York, E.-U.

Harry W. Macdonell, associé de McCarthy & McCarthy, avocats, Toronto, Ontario.

Taiichiro Matsuo, Président et chef de la direction de Marubeni Corporation, entreprise commerciale, Tokyo, Japon, depuis mai 1975. De 1966 à 1975, M. Matsuo était Vice-président de Marubeni Corporation.

Edmund Leopold de Rothschild, Président, N. M. Rothschild & Sons Limited, Londres, Angleterre.

Harold L. Snyder, Directeur du Centre for Cold Ocean Resources Engineering, Université Memorial, St. John's, Terre-Neuve.

Sir Mark Turner, Président du Conseil et chef de la direction de The Rio Tinto-Zinc Corporation Limited, une corporation minière et industrielle internationale, Londres, Angleterre.

### Nomination des vérificateurs

Il est prévu que le droit de vote attaché aux actions représentées par les procurations sollicitées par les présentes sera exercé pour le maintien dans leurs fonctions de Peat, Marwick, Mitchell & Cie, 1155 ouest, boulevard Dorchester, Montréal, Québec, comme vérificateurs de la Compagnie jusqu'à la prochaine Assemblée générale annuelle de la Compagnie et pour autoriser les administrateurs à fixer leur rémunération.

### Actions donnant droit de vote et principaux détenteurs de celles-ci

En date des présentes, il y avait en circulation dans les mains de ses actionnaires 14,636,418 actions ordinaires sans valeur nominale ou au pair de la Compagnie.

Les actions ordinaires de la Compagnie forment la seule classe d'actions de la Compagnie qui soient émises et en circulation et qui donnent droit de vote à l'Assemblée.

À la connaissance des administrateurs et des cadres supérieurs de la Compagnie, la seule personne ou compagnie qui détient à titre de propriétaire réel (au sens de The Securities Act (Ontario)) directement ou indirectement, plus de 10% des actions ordinaires en circulation de la Compagnie est The Rio Tinto-Zinc Corporation Limited, 6 St. James's Square, Londres, Angleterre ("RTZ"). À la date des présentes, RTZ détient directement 100 actions ordinaires et par l'entremise de sa filiale à part entière,



CIRCULAIRE D'INFORMATION

Cette circulaire d'information vous est envoyée, conformément aux dispositions de The Securities Act de l'Ontario, c. 426, R.S.O. 1970, telle qu'amendée, à l'occasion de la sollicitation par la direction de Brinco Limited (la "Compagnie"), de procurations pour l'exercice de droits de vote à l'Assemblée générale annuelle de la Compagnie ("l'Assemblée") qui sera tenue à la date et pour les fins indiquées dans l'avis de convocation ci-annexé. Les informations contenues dans les présentes sont données en date du 25ième jour de mars 1977.

Demandes de procurations

Outre cette sollicitation de procurations par la direction, des demandes de procurations pourront être faites au nom de la direction par des administrateurs, des officiers et des employés permanents de la Compagnie, soit par la poste, soit par télégramme, soit par téléphone. Le coût de la sollicitation, qui devrait être minime, sera aux frais de la Compagnie.

Election des administrateurs

Le droit de vote attaché aux actions représentées par les procurations sollicitées dans les présentes sera exercé pour l'élection de chaque personne proposée nommée dans la liste ci-après (ou des personnes qui pourront les remplacer en cas de circonstances imprévues). Les personnes ainsi élues administrateurs seront en fonction jusqu'à ce qu'elles se retirent à la clôture ou l'ajournement de la prochaine Assemblée générale annuelle, à moins que leur poste d'administrateur devienne vacant auparavant. En vertu des statuts actuels, tous les administrateurs de la Compagnie se retireront à toute Assemblée générale annuelle. Tout administrateur s'étant retiré sera éligible à réélection à l'Assemblée, conformément aux statuts actuels.

PERSONNES PROPOSÉES POUR ÉLECTION

Les administrateurs ci-après se retireront à la clôture ou à l'ajournement de l'Assemblée et sont proposés à la nomination pour élection comme administrateurs lors de l'Assemblée:

Nom	Administrateur depuis	Nombre d'actions ordinaires de la Compagnie détenues à titre de propriétaire réel directement ou indirectement
George Baker	Mars 1975	—
E. Jacques Courtois, C.R.	Avril 1973	500
Donald R. De Laporte*	Octobre 1975	—
Paul G. Desmarais*	Avril 1969	100
Lewis W. Foy	Avril 1969	1,000
Jean-Paul Gignac*	Janvier 1970	100
Sam Harris*	Juillet 1963	1,000
Harry W. Macdonell, C.R.	Avril 1971	—
Taiichiro Matsuo	Octobre 1976	—
Edmund L. de Rothschild, T.D.	Juin 1954	—
Harold L. Snyder	Janvier 1975	135
Sir Mark Turner*	Janvier 1976	—
* Membre du comité de direction du conseil d'administration.		

## RÉSOLUTION

Résolution No 1 — À être présentée comme résolution ordinaire, "Comptes et rapports"

IL EST RÉSOLU

QUE les comptes et le bilan de la Compagnie ainsi que les rapports des administrateurs et des vérificateurs pour l'exercice terminé le 31 décembre 1976 soient et ils sont par les présentes adoptés.

**AVIS DE CONVOCATION****de l'ASSEMBLÉE GÉNÉRALE ANNUELLE**

AVIS est par les présentes donné que l'Assemblée générale annuelle de Brinco Limited (la "Compagnie") sera tenue à la Salle de bal de l'Hôtel Le Château Champlain, à Montréal, Québec, le jeudi 28 avril 1977, à 11h (heure de Montréal) aux fins suivantes:

1. Considérer les comptes et le bilan de la Compagnie, les rapports des administrateurs et des vérificateurs pour l'exercice terminé le 31 décembre 1976 et, si jugé à propos, adopter comme résolution ordinaire la résolution No 1, intitulée "Comptes et rapports";
2. Elire les administrateurs;
3. Nommer les vérificateurs et autoriser les administrateurs à fixer leur rémunération;
4. Traiter toute autre affaire de la Compagnie qui pourrait être valablement soulevée lors de l'Assemblée.

La résolution No 1 mentionnée ci-dessus vous est exposée à la page suivante.

Les actionnaires qui ne pourront assister à l'Assemblée ont le droit de s'y faire représenter par un fondé de pouvoir. A cet effet, ils sont priés de signer et de dater la formule de procuration ci-jointe, après avoir consulté les sections pertinentes de la circulaire d'information ci-annexée, et de la retourner à la Compagnie Trust Royal, Case postale 1810, Succursale "B", Montréal, Québec, H3B 9Z9 au moins quarante-huit heures avant l'heure fixée pour l'Assemblée. Il n'est pas nécessaire que le fondé de pouvoir soit actionnaire de la Compagnie.

Date ce 4ième jour d'avril 1977.

Par ordre du Conseil  
Le Secrétaire,  
Paul F. McDonald

Ci-annexée:

Circulaire d'information

Ci-Incluses:

Formule de procuration

Enveloppe pré-adressée

(English text over)



**AR30**

**NOTICE**

**of ANNUAL GENERAL MEETING**

NOTICE is hereby given that the Annual General Meeting of Brinco Limited (the "Company") will be held in the Jackson-Carmichael Rooms of the Hotel Toronto, 145 Richmond Street West, Toronto, Ontario, at 11:00 a.m. (Toronto Time) on Thursday, April 27, 1978:

1. To consider the Company's accounts and balance sheet and the reports of the directors and auditors for the year ended December 31, 1977 and, if thought fit, pass as an Ordinary Resolution, Resolution No. 1, entitled "Accounts and Reports";
2. To elect directors;
3. To appoint auditors and authorize the directors to fix their remuneration;
4. To transact such other business of the Company as may properly come before the Meeting.

Resolution No. 1 referred to above is set forth on the following page.

Any Shareholder who is unable to attend the Meeting in person is entitled to be represented by a proxy and is requested, after referring to the pertinent sections of the attached Information Circular, to date, sign and return the enclosed form of proxy to The Royal Trust Company, P.O. Box 7500, Station "A", Toronto, Ontario M5W 1P9, not less than forty-eight hours before the time fixed for the Meeting. A proxy need not be a Shareholder of the Company.

Dated this 3rd day of April, 1978.

By Order of the Board,  
Paul F. McDonald  
Secretary

Attached hereto:  
Information Circular

Enclosed herewith:  
Form of Proxy  
Addressed envelope

(Version française au verso)

## **RESOLUTION**

Resolution No. 1 — To be Proposed as an Ordinary Resolution "Accounts and Reports"

RESOLVED

THAT the Company's accounts and balance sheet and the reports of the directors and auditors for the year ended December 31, 1977, be and they are hereby adopted.

## INFORMATION CIRCULAR

This Information Circular is furnished in accordance with the provisions of The Securities Act of Ontario, R.S.O. 1970, c. 426, as amended, in connection with the solicitation by the management of Brinco Limited (the "Company") of proxies to be voted at the Annual General Meeting of the Company (the "Meeting"), to be held on the date and for the purposes set forth in the accompanying Notice of the Meeting. The information contained herein is given as of the 27th day of March, 1978.

### Solicitation of Proxies

**In addition to the present solicitation by management, proxies may also be solicited on behalf of management by directors, officers, and regular employees of the Company, by mail, by telegram or by telephone. The cost of solicitation, which is expected to be nominal, will be borne by the Company.**

### Election of Directors

The shares represented by the proxies solicited will be voted for the election of each of the proposed nominees listed below (or for substitute nominees in the event of contingencies not known at the date hereof). Each such nominee who is elected a director shall hold office until his retirement at the close or adjournment of the next following Annual General Meeting, unless his office is vacated earlier. The Articles of Association presently provide that at every Annual General Meeting all of the directors shall retire from office. All of the directors who will retire at the Meeting will, in accordance with the Articles of Association, be eligible for re-election at the Meeting.

### PROPOSED NOMINEES FOR ELECTION

The following directors who will retire at the close or adjournment of the Meeting, are proposed for nomination for election as directors at the Meeting: —

Name	Period of Service as a Director (From)	Common Shares of the Company beneficially owned, directly or indirectly
George Baker	March 1975	—
E. Jacques Courtois, Q.C.	April 1973	500
Donald R. De Laporte*	October 1975	—
Paul G. Desmarais*	April 1969	100
Lewis W. Foy	April 1969	1,000
Jean-Paul Gignac*	January 1970	100
Sam Harris*	July 1963	1,000
Harry W. Macdonell, Q.C.	April 1971	—
Ryuta Kawasaki	December 1977	—
Edmund L. de Rothschild, T.D.	June 1954	—
Harold L. Snyder	January 1975	135
Sir Mark Turner*	January 1976	—

\*Member of the Executive Committee of the Board.



## **PRINCIPAL OCCUPATION OF PROPOSED NOMINEES FOR ELECTION**

Set out below is the principal occupation or employment of each person proposed to be nominated for election as a director, and where applicable positions and offices with the Company held by them, and in respect of Ryuta Kawasaki, his principal occupation or employment within the five preceding years:

George Baker, retired, Victoria, British Columbia.

E. Jacques Courtois, a partner of Messrs. Courtois, Clarkson, Parsons & Tétrault, advocates, barristers and solicitors, Montreal, Quebec.

Donald R. De Laporte, President and Chief Executive Officer of the Company, Mississauga, Ontario.

Paul G. Desmarais, Chairman and Chief Executive Officer of Power Corporation of Canada, Limited, an investment and management company, Montreal, Quebec.

Lewis W. Foy, Chairman of Bethlehem Steel Corporation, manufacturer of steel and steel products, Bethlehem, Pa., U.S.A.

Jean-Paul Gignac, President and Chief Executive Officer of Sidbec-Dosco Limited, manufacturer of steel and steel products, Montreal, Quebec.

Sam Harris, a partner of Fried, Frank, Harris, Shriver & Jacobson, attorneys-at-law, New York, U.S.A.

Harry W. Macdonell, a partner of McCarthy & McCarthy, barristers and solicitors, Toronto, Ontario.

Ryuta Kawasaki, Executive Vice-President, Marubeni Corporation, of Japan, New York, U.S.A. In 1972 Mr. Kawasaki became Senior Managing Director of Marubeni Corporation, and was appointed Executive Vice-President in 1975. He has also been President of Marubeni America Corporation since 1974.

Edmund Leopold de Rothschild, President, N. M. Rothschild & Sons Limited, London, England.

Harold L. Snyder, Director, Centre for Cold Ocean Resources Engineering, Memorial University, St. John's, Newfoundland.

Sir Mark Turner, Chairman and Chief Executive of The Rio Tinto-Zinc Corporation Limited, an international mining and industrial corporation, London, England.

## **Appointment of Auditors**

It is intended that the shares represented by the proxies hereby solicited will be voted for the reappointment of Peat, Marwick, Mitchell & Co., 2021 Cliff Road, Mississauga, Ontario L5A 3N7, as auditors of the Company to hold office until the next Annual General Meeting of the Company, and for the authorization of the directors to fix their remuneration.

## **Voting Shares and Principal Holders Thereof**

As of the date hereof, there were outstanding in the hands of shareholders, 14,636,418 common shares of the Company's capital stock, without nominal or par value.

The common shares are the only class of shares of the Company which are issued and outstanding, and entitled to be voted at the Meeting.

To the knowledge of the directors and senior officers of the Company, the only person or corporation which beneficially owns (within the meaning of The Securities Act (Ontario)) directly or indirectly, more than 10% of the outstanding common shares of the Company is The Rio Tinto-Zinc Corporation Limited, 6 St. James's Square, London, England ("RTZ"). At the date hereof, RTZ owns 100 common shares

directly, and through a wholly-owned subsidiary, Tinto Holdings Canada Limited, Suite 3209, Toronto-Dominion Centre, Toronto, Ontario ("Tinto"), RTZ beneficially owns 2,100 common shares. Thornwood Investments Limited (having the same address as Tinto), which is 80% owned by RTZ and 20% by Bethlehem Steel Corporation, Bethlehem, Pa., U.S.A. ("Bethlehem"), owns 12,113,831 common shares. For the purpose of The Securities Act (Ontario) on the date hereof, RTZ is deemed to own beneficially 12,116,031, or 82.8% of the outstanding common shares of the Company. RTZ's net beneficial interest in the common share equity of the Company is 66.2% and that of Bethlehem is 16.6%. Marubeni Corporation and the Fuji Bank, Limited are the beneficial owners of an aggregate of 1,200,000, or 8.2% of the outstanding common shares of the Company.

Upon a show of hands, every Shareholder present in person and every proxy who is not a Shareholder and who represents a Shareholder entitled to vote shall have one vote only.

Upon a poll, which may be demanded by the Chairman of the Meeting or by Shareholders representing not less than 5% of the shares represented at the Meeting in person or by proxy and entitled to vote, every such Shareholder shall have one vote for each common share of the Company registered in his name. A Shareholder may appoint another person, who need not be a Shareholder of the Company, as his proxy to attend and vote in his place and stead; where a corporation, being a Shareholder entitled to vote, is present by proxy, or by a person duly appointed who is not a Shareholder, such proxy or person shall, in addition to voting on a poll, be entitled to vote for such corporation on a show of hands. Upon a poll, the passing of an Ordinary Resolution requires the approval of a majority of the common shares represented at the Meeting either in person or by proxy. The passing of a Special Resolution requires the approval of at least 75% of the votes cast.

The instrument appointing the proxy shall be in writing under the hand of the Shareholder or of his attorney, duly authorized in writing or, if the Shareholder be a corporation, either under its corporate seal or under the hand of an officer or its attorney so authorized.

The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, to be effective, must be deposited with The Royal Trust Company, P.O. Box 7500, Station "A", Toronto, Ontario M5W 1P9, not less than forty-eight hours before the time appointed for holding the Meeting or adjourned Meeting at which the person named in the instrument proposes to vote. The instrument appointing a proxy shall be valid only for the Meeting for which it is given or any adjournment thereof.

### **Voting of Shares Represented by Management Proxy**

The accompanying form of proxy confers discretionary voting authority upon the persons designated therein. The shares represented by any valid Instrument of Proxy on the said form and appointing the persons named therein to represent the Shareholder at the Meeting will be voted in accordance with the directions of the Shareholder as specified in the Instrument of Proxy in respect of each Resolution referred to in the Notice of Meeting. In the absence of such directions the shares represented by such Instrument of Proxy will be voted in favor of each such Resolution.

Management is not aware of any matters other than those identified in the Notice of Meeting that may come before the Meeting. If, however, other matters properly come before the Meeting, or there are any amendments or variations to matters identified in the Notice of Meeting, the persons designated in the accompanying form of proxy will vote thereon in accordance with their best judgment pursuant to the discretionary authority conferred by the Instrument of Proxy with regard to such matters.

### **Designation of Persons Other Than Those Named in the Management Proxy**

Each Shareholder has the right to designate as his proxy a person other than those designated in the accompanying form of proxy to attend and vote for such Shareholder at the Meeting. Any Shareholder desiring to exercise such right may do so by striking out the names of the persons designated in the accompanying form of proxy and inserting, in the space provided, the name of the person he wishes to designate as his proxy, or he may do so by executing an instrument appointing a proxy in a form similar to the accompanying form of proxy.

## **Revocability of Proxy**

A Shareholder giving a proxy has power to revoke it at any time before it has been exercised, provided notice in writing of such revocation shall have been received by the Company at its registered office, Suite 1101, Royal Trust Building, Water Street, St. John's, Newfoundland, A1C 5J9, at least forty-eight hours before the commencement of the Meeting or adjourned Meeting at which the Instrument of Proxy is to be used.

## **Remuneration of Management and Others**

The aggregate direct remuneration paid or agreed to be paid to directors and senior officers of the Company during the year ended December 31, 1977 was \$550,000. The aggregate remuneration paid or proposed to be paid to senior officers, including senior officers who are directors, as bonuses, retirement or severance allowances was \$114,000.

The estimated aggregate cost to the Company and its subsidiaries in the year ended December 31, 1977 of all pension benefits proposed to be paid under any normal pension plan, directly or indirectly, by the Company and its subsidiaries to directors and senior officers of the Company, in the event of their retirement at normal retirement age, was \$24,000.

In 1975, 200,000 common shares were reserved for issuance in accordance with the provisions of the 1975 Stock Option Plan, which was approved by the shareholders on March 20, 1975. On September 2, 1976, options pursuant to the 1975 Stock Option Plan were granted on 95,500 common shares (including 35,000 to senior officers) at \$4.00 per share, to be exercised prior to September 2, 1981. The price range of the common shares for the 30 day period preceding the date of the option grant was a high of \$4.45 and a low of \$4.05. As of March 27, 1978, options were outstanding on a total of 65,000 common shares.

Dated as of the 27th day of March, 1978.

By Order of the Board,

Paul F. McDonald

Secretary





mule de procuration ci-jointe voteront sur celles-ci d'après leur meilleur jugement en vertu du pouvoir discrétionnaire que leur confère la procuration à cet égard.

Désignation de personnes autres que celles proposées par la direction dans la formule de procuration

Tout actionnaire a le droit de désigner comme son fondé de pouvoir une personne autre que celle indiquée dans la formule de procuration ci-jointe pour assister à sa place à l'Assemblée et y voter en son nom. Tout actionnaire qui désire exercer ce droit peut le faire en rayant le nom des personnes indiquées dans la formule de procuration ci-jointe et en y inscrivant, à l'endroit prévu, le nom de la personne qu'il veut désigner comme son fondé de pouvoir. Il peut également le faire en signant une formule de procuration semblable à la formule ci-jointe.

#### Révocabilité d'une procuration

Tout actionnaire donnant une procuration peut révoquer celle-ci n'importe quand avant son exercice, pourvu qu'un avis écrit de cette révocation parvienne au siège social de la Compagnie, Suite 1101, Royal Trust Building, Water Street, St. John's, Terre-Neuve, A1C 5J9 au moins quarante-huit heures avant le début de l'Assemblée ou de son ajournement, pour laquelle la procuration a été donnée.

#### Rémunération versée à des membres de la direction et à d'autres

La rémunération globale directe versée ou qui doit être versée à la suite d'une entente aux administrateurs et aux cadres supérieurs de la Compagnie au cours de l'exercice terminé le 31 décembre 1977 s'est élevée à \$550,000. La rémunération globale versée ou que l'on se propose de verser aux cadres supérieurs, y compris les cadres supérieurs qui sont administrateurs, à titre de prime ou à titre d'indemnité de retraite ou de départ est de \$114,000.

La contribution globale approximative de la Compagnie et ses filiales au cours de l'exercice terminé le 31 décembre 1977 à toutes les pensions qu'elles se proposent de verser, directement ou indirectement, en vertu de tout régime de retraite normale aux administrateurs et aux cadres supérieurs de la Compagnie, en cas de retraite à l'âge normal de retraite a été de \$24,000.

Au cours de 1975, 200,000 actions ordinaires ont été mises de côté pour être émises en vertu des dispositions du régime d'option d'achat de 1975, approuvé par les actionnaires le 20 mars 1975. Le 2 septembre 1976 des options en vertu du régime d'option d'achat de 1975 ont été accordées sur 95,500 actions ordinaires (y compris 35,000 à des cadres supérieurs) à \$4.00 l'action, devant être exercées avant le 2 septembre 1981. Les cours extrêmes des actions ordinaires pour la période de 30 jours précédant la date où l'option a été accordée ont été de \$4.45 et de \$4.05. Au 27 mars 1978 il y avait des options en cours sur un total de 65,000 actions ordinaires.

Date ce 27<sup>e</sup> jour de mars 1978.

Par ordre du Conseil,  
Le Secrétaire

Paul F. McDonald

À la connaissance des administrateurs et des cadres supérieurs de la Compagnie, la seule personne ou compagnie qui détient à titre de propriétaire réel (au sens de The Securities Act (Ontario)) directement ou indirectement, plus de 10% des actions ordinaires en circulation de la Compagnie est The Rio Tinto-Zinc Corporation Limited, 6 St. James's Square, Londres, Angleterre ("RTZ"). À la date des présentes, RTZ détient directement 100 actions ordinaires et par l'entremise de sa filiale à part entière, Tinto Holdings Canada Limited, Suite 3209, Toronto-Dominion Centre, Toronto, Ontario ("Tinto"), RTZ détient à titre de propriétaire réel 2,100 actions ordinaires. Thornwood Investments Limited (de la même adresse que Tinto), détenue à 80% par RTZ et 20% par Bethlehem Steel Corporation, Bethlehem, Pa., E.-U. ("Bethlehem") détient 12,113,831 actions ordinaires. À la date des présentes, au sens de The Securities Act (Ontario), RTZ est présumée détenir à titre de propriétaire réel 12,116,031, ou 82.8% des actions ordinaires en circulation de la Compagnie et l'intérêt net à titre de propriétaire réel dans le capital-actions de la Compagnie est de 66.2% et celui de Bethlehem est de 16.6%. Marubeni Corporation et The Fuji Bank Limited sont détenteurs à titre de propriétaire réel d'un nombre global de 1,200,000, ou 8.2% des actions ordinaires en circulation.

Lors d'un vote à main levée, chaque actionnaire en personne et chaque fondé de pouvoir qui n'est pas un actionnaire mais qui représente un actionnaire ayant un droit de vote aura droit à un seul vote.

À l'occasion d'un vote écrit, qui peut être demandé par le président de l'Assemblée ou par des actionnaires représentant au moins 5% des actions représentées à l'Assemblée soit en personne soit par fondé de pouvoir et ayant droit de vote, chaque actionnaire aura droit à un vote par action ordinaire de la Compagnie enregistrée en son nom. Tout actionnaire peut déléguer une autre personne, actionnaire ou non, comme son fondé de pouvoir pour assister à l'Assemblée et y voter à sa place et en son nom. Lorsqu'un actionnaire ayant droit de vote est une compagnie représentée par un fondé de pouvoir ou une personne dûment déléguée et qui n'est pas un actionnaire de la Compagnie, ce fondé de pouvoir ou cette personne aura le droit de voter aussi bien à main levée que par écrit. Lors d'un vote écrit, l'adoption d'une résolution ordinaire exige l'approbation de la majorité des actions ordinaires représentées à l'Assemblée soit en personne ou par fondé de pouvoir. L'adoption d'une résolution spéciale exige l'approbation d'au moins 75% des votes déposés.

La procuration doit être signée de la main de l'actionnaire ou par son procureur dûment autorisé par écrit et si l'actionnaire est une compagnie, la procuration devra porter le sceau de la compagnie ou la signature d'un officier ou d'un procureur dûment autorisé.

La procuration ainsi que toute autorisation (s'il y a lieu) en vertu de laquelle elle est signée ou encore une copie notariée de telle autorisation, pour être valides, doivent être retournées à la Compagnie Trust Royal, Case postale 7500, Succursale "A", Toronto, Ontario, M5W 1P9 au moins quarante-huit heures avant l'heure fixée pour l'Assemblée ou tout ajournement d'icelle à laquelle la personne nommée dans ledit document se propose de voter. La procuration ne sera valide que pour l'Assemblée pour laquelle elle est donnée ou pour tout ajournement de celle-ci.

### **Exercice du droit de vote par un fondé de pouvoir proposé par la direction**

**La formule de procuration ci-jointe confère aux personnes qui y sont désignées des pouvoirs discrétionnaires de vote. Le droit de vote attaché aux actions représentées par toute procuration valide sera exercé conformément aux instructions de l'actionnaire précises dans la procuration quant à chaque résolution mentionnée dans l'avis de convocation d'assemblée. À défaut de telles instructions, le droit de vote attaché aux actions représentées par ladite procuration sera exercé en faveur de chacune de ces résolutions.**

**La direction n'a connaissance d'aucune question autre que celles qui sont indiquées dans l'avis de convocation et qui seront soumises à l'Assemblée. Cependant, si d'autres questions sont soumises selon les règles à l'Assemblée, ou si des amendements ou des changements sont apportés aux propositions indiquées dans l'avis de convocation, les personnes désignées dans la for-**

## OCCUPATION PRINCIPALE DES PERSONNES PROPOSÉES À L'ÉLECTION

Vous trouverez ci-dessous l'occupation ou l'emploi principal de chaque personne proposée comme candidat à l'élection comme administrateur et lorsqu'il y a lieu, leurs postes et fonction au sein de la Compagnie et quant à Ryuta Kawasaki, son occupation ou emploi principal au cours des cinq dernières années:

George Baker, retiré, Victoria, Colombie-Britannique.

E. Jacques Courtois, associé de Courtois, Clarkson, Parsons & Tétrault, avocats, Montréal, Québec.

Donald R. De Laporte, Président et chef de la direction de la Compagnie, Mississauga, Ontario.

Paul G. Desmarais, Président du Conseil et chef de la direction de Power Corporation of Canada, Limited, une société de gestion et placement, Montréal, Québec.

Lewis W. Foy, Président du Conseil de Bethlehem Steel Corporation, producteur d'acier et de produits d'acier, Bethlehem, Pa., É.-U.

Jean-Paul Gignac, Président et chef de la direction de Sidbec-Dosco Limitée, producteur d'acier et de produits d'acier, Montréal, Québec.

Sam Harris, associé de Fried, Frank, Harris, Shriver & Jacobson, avocats, New York, É.-U.

Harry W. Macdonnell, associé de McCarthy & McCarthy, avocats, Toronto, Ontario.

Ryuta Kawasaki, vice-président à l'administration, Marubeni Corporation, du Japon, New York, É.-U. En 1972 M. Kawasaki est devenu directeur-gérant de Marubeni Corporation et a été nommé vice-président à l'administration en 1975. Il est aussi président de Marubeni America Corporation depuis 1974.

Edmund Leopold de Rothschild, Président, N. M. Rothschild & Sons Limited, Londres, Angleterre.

Harold L. Snyder, Directeur du Centre for Cold Ocean Resources Engineering, Université Memorial, St. John's, Terre-Neuve.

Sir Mark Turner, Président du Conseil et chef de la direction de The Rio Tinto-Zinc Corporation Limited, une corporation minière et industrielle internationale, Londres, Angleterre.

## Nomination des vérificateurs

Il est prévu que le droit de vote attaché aux actions représentées par les procurations sollicitées par les présentes sera exercé pour le maintien dans leurs fonctions de Peat, Marwick, Mitchell & Cie, 2021 Cliff Road, Mississauga, Ontario L5A 3N7, comme vérificateurs de la Compagnie jusqu'à la prochaine Assemblée générale annuelle de la Compagnie et pour autoriser les administrateurs à fixer leur rémunération.

## Actions donnant droit de vote et principaux détenteurs de celles-ci

En date des présentes, il y avait en circulation dans les mains de ses actionnaires 14,636,418 actions ordinaires sans valeur nominale ou au pair de la Compagnie.

Les actions ordinaires de la Compagnie forment la seule classe d'actions de la Compagnie qui soient émises et en circulation et qui donnent droit de vote à l'Assemblée.



CIRCULAIRE D'INFORMATION

Cette circulaire d'information vous est envoyée, conformément aux dispositions de The Securities Act de l'Ontario, c. 426, R.S.O. 1970, telle qu'amendée, à l'occasion de la sollicitation par la direction de Brinco Limited (la "Compagnie") de procurations pour l'exercice de droits de vote à l'Assemblée générale annuelle de la Compagnie ("l'Assemblée") qui sera tenue à la date et pour les fins indiquées dans l'avis de convocation ci-joint. Les informations contenues dans les présentes sont données en date du 27<sup>e</sup> jour de mars 1978.

Demandes de procurations

Outre cette sollicitation de procurations par la direction, des demandes de procurations pour- ront être faites au nom de la direction par des administrateurs, des officiers et des employés per- manents de la Compagnie, soit par la poste, soit par télégramme, soit par téléphone. Le coût de la sollicitation, qui devrait être minime, sera aux frais de la Compagnie.

Election des administrateurs

Le droit de vote attaché aux actions représentées par les procurations sollicitées dans les présentes sera exercé pour l'élection de chaque personne proposée nommée dans la liste ci-après (ou des per- sonnes qui pourront les remplacer en cas de circonstances imprévues). Les personnes ainsi élues admi- nistrateurs seront en fonction jusqu'à ce qu'elles se retirent à la clôture ou l'ajournement de la prochaine Assemblée générale annuelle, à moins que leur poste d'administrateur devienne vacant auparavant. En vertu des statuts actuels, tous les administrateurs de la Compagnie se retireront à toute Assemblée géné- rale annuelle. Tout administrateur s'étant retiré sera éligible à réélection à l'Assemblée, conformément aux statuts actuels.

PERSONNES PROPOSÉES POUR ÉLECTION

Les administrateurs ci-après se retireront à la clôture ou à l'ajournement de l'Assemblée et sont proposés à la nomination pour élection comme administrateurs lors de l'Assemblée:

Nom Administrateur depuis Nombre d'actions ordinaires de la Compagnie détenues à titre de propriétaire réel directement ou indirectement

George Baker	Mars 1975	—
E. Jacques Courtois, C.R.	Avril 1973	500
Donald R. De Laporte*	Octobre 1975	—
Paul G. Desmarais*	Avril 1969	100
Lewis W. Foy	Avril 1969	1,000
Jean-Paul Gignac*	Janvier 1970	100
Sam Harris*	Juillet 1963	1,000
Harry W. Macdonell, C.R.	Avril 1971	—
Ryuta Kawasaki	Décembre 1977	—
Edmund L. de Rothschild, T.D.	Juin 1954	—
Harold L. Snyder	Janvier 1975	135
Sir Mark Turner*	Janvier 1976	—

\* Membre du comité de direction du conseil d'administration.

## RÉSOLUTION

Résolution No 1 — À être présentée comme résolution ordinaire, "Comptes et rapports".

IL EST RÉSOLU

QUE les comptes et le bilan de la Compagnie ainsi que les rapports des administrateurs et des vérificateurs pour l'exercice terminé le 31 décembre 1977 soient et ils sont par les présentes adoptés.

## AVIS DE CONVOCATION

### de l'ASSEMBLÉE GÉNÉRALE ANNUELLE

AVIS est par les présentes donné que l'Assemblée générale annuelle de Brinco Limited (la "Compagnie") sera tenue aux salles Jackson-Carmichael de l'hôtel Toronto, 145 Richmond Street West, Toronto, Ontario, le jeudi 27 avril 1978, à 11h (heure de Toronto) aux fins suivantes:

1. Considérer les comptes et le bilan de la Compagnie, les rapports des administrateurs et des vérificateurs pour l'exercice terminé le 31 décembre 1977 et, si jugé à propos, adopter comme résolution ordinaire la résolution No 1, intitulée "Comptes et rapports";

2. Élire les administrateurs;

3. Nommer les vérificateurs et autoriser les administrateurs à fixer leur rémunération;

4. Traiter toute autre affaire de la Compagnie qui pourrait être valablement soulevée lors de l'Assemblée.

La résolution No 1 mentionnée ci-dessus vous est exposée à la page suivante.

Les actionnaires qui ne pourront assister à l'Assemblée ont le droit de s'y faire représenter par un fondé de pouvoir. À cet effet, ils sont priés de signer et de dater la formule de procuration ci-jointe, après avoir consulté les sections pertinentes de la circulaire d'information ci-annexée, et de la retourner à la Compagnie Trust Royal, Case postale 7500, Succursale "A", Toronto, Ontario M5W 1P9, au moins quarante-huit heures avant l'heure fixée pour l'Assemblée. Il n'est pas nécessaire que le fondé de pouvoir soit actionnaire de la Compagnie.

Date ce 3<sup>e</sup> jour d'avril 1978.

Par ordre du Conseil,

Le Secrétaire

Paul F. McDonald

Ci-annexée:

Circulaire d'information

Ci-incluses:

Formule de procuration

Enveloppe pré-adressée



**AR30**

**NOTICE  
of  
EXTRAORDINARY GENERAL MEETING**

NOTICE is hereby given that an Extraordinary General Meeting (the "Meeting") of Brinco Limited (the "Company") will be held in the Jackson-Carmichael Rooms of the Hotel Toronto, 145 Richmond Street West, Toronto, Ontario, at 9:30 a.m. (Toronto Time) on Thursday, December 14, 1978:

1. To consider, and if thought fit, pass as a Special Resolution, Resolution No. 1, entitled "Amendment to Articles of Association";
2. To consider, and, if thought fit, pass as an Ordinary Resolution, Resolution No. 2, entitled "Transfer of Retained Earnings to Paid-Up Capital"; and
3. To transact such other business as may properly come before the Meeting.

Resolutions Nos. 1 and 2 referred to above are set forth on the following page.

Any Shareholder who is unable to attend the Meeting in person is entitled to be represented by a proxy and is requested, after referring to the pertinent sections of the attached Information Circular, to date, sign and return the enclosed form of proxy to The Royal Trust Company, P.O. Box 7500, Station "A", Toronto, Ontario M5W 1P9, not less than forty-eight hours before the time fixed for the Meeting. A proxy need not be a Shareholder of the Company.

Dated this 27th day of November, 1978.

By Order of the Board,  
Paul F. McDonald  
Secretary

Attached hereto:  
Information Circular

Enclosed herewith:  
Form of Proxy  
Addressed envelope

## **RESOLUTIONS**

### **RESOLUTION NO. 1 — To be Proposed as a Special Resolution "Amendment to Articles of Association"**

Resolved that —

1. The Articles of Association of the Company (the "Articles") be and the same are hereby amended by deleting Article 118 thereof and substituting therefor the following:  
  
"118. The Company in General Meeting may, upon the recommendation of the Board at any time and from time to time, pass a Resolution capitalizing, in such manner as may be authorized by such Resolution, any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of retained earnings or otherwise available for distribution, and not required for the payment of the fixed dividends on any preference shares of the Company."
2. Except as aforesaid, the Articles shall remain unamended and shall continue in full force and effect.

### **RESOLUTION NO. 2 — To be Proposed as an Ordinary Resolution "Transfer of Retained Earnings to Paid-Up Capital"**

Resolved that —

1. Pursuant to Article 118 of the Articles of Association of the Company and subject to paragraph 2 of this resolution, the Company remove from its retained earnings the amount of \$35,400,000 (the "Capital Surplus Amount") representing almost all of its 1971 capital surplus on hand (as that term is currently defined in the Income Tax Act (Canada)) and transfer the Capital Surplus Amount to the paid-up capital attributable to its issued common shares without nominal or par value (the "common shares").
2. The transfer of the Capital Surplus Amount provided for in paragraph 1 of this Resolution shall not be effective unless and until the Company has duly filed an election in prescribed manner and form under subsection 83(1) of the Income Tax Act (Canada) in respect of the full amount of the dividends which will, by virtue of subsection 84(1) of such Act, be deemed to have been paid on the common shares of the Company as a result of the transfer by the Company of the Capital Surplus Amount to the paid-up capital attributable to its common shares.
3. The proper officers of the Company be and are hereby authorized and directed to do, sign and execute all things, deeds and documents necessary or desirable for the carrying out of the foregoing.

## INFORMATION CIRCULAR

This Information Circular is furnished in connection with the solicitation by the management of Brinco Limited (the "Company") of proxies to be voted at the Extraordinary General Meeting of the Company (the "Meeting"), to be held on the date and for the purposes set forth in the accompanying Notice of the Meeting. The information contained herein is given as of the 27th day of November, 1978.

### Solicitation of Proxies

**In addition to the present solicitation by management, proxies may also be solicited on behalf of management by directors, officers, and regular employees of the Company, by mail, by telegram or by telephone. The cost of solicitation, which is expected to be nominal, will be borne by the Company.**

### Amendment of Articles of Association and Capitalization of Retained Earnings

The Income Tax Act of Canada (the "Act") presently provides that a corporation may, if it so elects, pay dividends out of its 1971 Capital Surplus on Hand (as defined in the Act). Shareholders are not required to include such dividends in their income. However, for purposes of computing the shareholder's capital gain or loss on any future disposition by him of his shares, the adjusted cost base of such shares is reduced, for income tax purposes, by the amount of such dividends. Recent amendments to the Act provide that, after December 31, 1978, a corporation will no longer be able to pay dividends to its shareholders out of its 1971 Capital Surplus on Hand, except in certain cases where a corporation is being wound up. Such amendments will also have the effect of preventing a corporation, after such date, from converting its 1971 Capital Surplus on Hand into paid-up capital.

A corporation may, however, preserve the capital nature of 1971 Capital Surplus on Hand by the capitalization, on or before December 31, 1978, of an equivalent amount of its retained earnings. Although the corporation will not be able to pay dividends free of tax out of the amount of retained earnings so capitalized, the shareholders of the corporation may ultimately benefit from this capitalization of retained earnings. For example, where a corporation purchases any of its shares, that portion of the proceeds which represents paid-up capital attributable to the shares is received by the holder thereof free of any tax consequences to the extent of that portion of the proceeds which equals the adjusted cost base of the shares. If such portion of the proceeds exceeds the adjusted cost base of the shares, the excess would give rise to a capital gain, and if such portion of the proceeds is less than the adjusted cost base of the shares, the difference would give rise to a capital loss.

As is discussed in greater detail below, there will be no immediate Canadian tax cost to Shareholders of the Company by reason of the capitalization of retained earnings equal to all or part of the Company's 1971 Capital Surplus on Hand and, as discussed above, the increase in the paid-up capital attributable to common shares of the Company could prove advantageous to Shareholders in the future, in the event of a distribution by the Company of capital to Shareholders. Furthermore, such increase in the paid-up capital may afford the Company additional flexibility in any future corporate re-organization or acquisition.

At present, the Company's 1971 Capital Surplus on Hand is in excess of \$35,400,000. As mentioned above, a notional distribution of 1971 Capital Surplus on Hand of the Company may be effected by capitalizing an equivalent amount of the retained earnings of the Company. Management of the Company wishes to effect this capitalization by transferring \$35,400,000 of retained earnings (the "Capital Surplus Amount") to the Company's paid-up capital attributable to the common shares of the Company.



As presently worded, Article 118 of the Company's Articles of Association would only permit this capitalization by way of payment by the Company of a stock dividend. However, the payment of such a stock dividend would not, by reason of the Act, result in an effective capitalization of the Company's 1971 Capital Surplus on Hand. Consequently, the Shareholders of the Company are being asked to consider and, if thought fit, pass Special Resolution No. 1 ("Special Resolution") amending Section 118 of the Company's Articles of Association to permit the Company to capitalize all or any part of the Company's surplus or retained earnings accounts in such manner as may be determined by resolution passed at a general meeting of Shareholders.

If a favourable vote is received with respect to the Special Resolution, the Shareholders will then be asked to consider and, if thought fit, pass Ordinary Resolution No. 2 ("Ordinary Resolution") transferring the Capital Surplus Amount to the paid-up capital attributable to the Company's common shares. This will effect an increase of about \$2.42 in the paid-up capital attributable to each issued common share of the Company. The proposed transaction does not, however, involve an actual cash distribution to Shareholders.

Unless the Special Resolution and Ordinary Resolution are adopted at the Meeting, the proposal to capitalize the Capital Surplus Amount in the manner described above will not be proceeded with.

If the Special Resolution and Ordinary Resolution are adopted at the Meeting, the Company, immediately prior to the transfer of the Capital Surplus Amount to paid-up capital attributable to its common shares, will file the necessary election pursuant to the provisions of subsection 83(1) of the Act, so that the full amount of the deemed dividend that will arise pursuant to the provisions of subsection 84(1) of the Act, shall be payable out of the Company's 1971 Capital Surplus on Hand.

The Canadian income tax consequences of the aforementioned transfer and election are as follows:

1. The Company will be deemed to have paid a dividend of \$35,400,000 to its common Shareholders and such Shareholders will be deemed to have received a dividend of about \$2.42 in respect of each common share of the Company held. Such deemed dividend will not be included in computing the income of any common Shareholder of the Company.
2. There shall be added to the cost to each Shareholder of common shares of the Company an amount equal to about \$2.42 per share and a similar amount per share shall be deducted from the cost to each such Shareholder. Such deduction will not, however, be considered to have occurred prior to such addition.
3. In computing the 1971 Capital Surplus on Hand of any Canadian corporate common Shareholder of the Company there shall be added to such Shareholder's 1971 Capital Surplus on Hand an amount equal to the amount of dividend such Shareholder is deemed to have received as a result of the transactions described above.

Canadian corporate common Shareholders may therefore benefit by the proposed capitalization to the extent that they can utilize the amount of 1971 Capital Surplus on Hand deemed to be received by them before 1979. The future income tax benefits which may be derived by other common Shareholders of the Company will be based on a number of factors, including the impact of dividend tax credits and applicable rates of income tax. Shareholders are advised to consult their own tax advisors as to the effect of the proposed transactions on their own tax position.

## **Voting Shares and Principal Holders Thereof**

As of the date hereof, there were outstanding in the hands of Shareholders, 14,650,518 common shares of the Company's capital stock, without nominal or par value, and the holders thereof of record at the time of the Meeting will be entitled to one vote for each share held at such Meeting. In addition there are 9,973,067 shares of the Company, recently designated by legislation as Class A Shares of the Company, which are held by the Company, are not outstanding and will not be voted at the Meeting.

To the knowledge of the directors and senior officers of the Company, the only person or corporation which beneficially owns, directly or indirectly, more than 10% of the outstanding shares of the Company is The Rio Tinto-Zinc Corporation Limited, 6 St. James's Square, London, England ("RTZ"). RTZ owns 100 common shares directly, and through a wholly-owned subsidiary, Tinto Holdings Canada Limited, Suite 3209, Toronto-Dominion Centre, Toronto, Ontario ("Tinto"), RTZ beneficially owns 2,100 common shares. Thornwood Investments Limited (having the same address as Tinto), which is 80% owned by RTZ and 20% by Bethlehem Steel Corporation, Bethlehem, Pa., U.S.A. ("Bethlehem"), owns 12,113,831 common shares. For the purpose of certain securities legislation, RTZ is deemed to own beneficially 12,116,031, or 82.8% of the outstanding common shares of the Company. RTZ's net beneficial interest in the common share equity of the Company is 66.2% and that of Bethlehem is 16.6%. Marubeni Corporation and the Fuji Bank, Limited are the beneficial owners of an aggregate of 1,200,000 or 8.2% of the outstanding common shares of the Company.

Upon a show of hands, every Shareholder present in person and every proxy who is not a Shareholder and who represents a Shareholder entitled to vote shall have one vote only.

Upon a poll, which may be demanded by the Chairman of the Meeting or by Shareholders representing not less than 5% of the shares represented at the Meeting in person or by proxy and entitled to vote, every such Shareholder shall have one vote for each common share of the Company registered in his name. A Shareholder may appoint another person, who need not be a Shareholder of the Company, as his proxy to attend and vote in his place and stead; where a corporation, being a Shareholder entitled to vote, is present by proxy, or by a person duly appointed who is not a Shareholder, such proxy or person shall, in addition to voting on a poll, be entitled to vote for such corporation on a show of hands. Upon a poll, the passing of an Ordinary Resolution requires the approval of a majority of the common shares represented at the Meeting either in person or by proxy. The passing of a Special Resolution requires the approval of at least 75% of the votes cast.

The instrument appointing the proxy shall be in writing under the hand of the Shareholder or of his attorney, duly authorized in writing or, if the Shareholder be a corporation, either under its corporate seal or under the hand of an officer or its attorney so authorized.

The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, to be effective, must be deposited with The Royal Trust Company, P.O. Box 7500, Station "A", Toronto, Ontario M5W 1P9, not less than forty-eight hours before the time appointed for holding the Meeting or adjourned Meeting at which the person named in the instrument proposes to vote. The instrument appointing a proxy shall be valid only for the Meeting for which it is given or any adjournment thereof.

### **Voting of Shares Represented by Management Proxy**

The accompanying form of proxy confers discretionary voting authority upon the persons designated therein. The shares represented by any valid Instrument of Proxy on the said form and appointing the persons named therein to represent the Shareholder at the Meeting will be voted in accordance with the directions of the Shareholder as specified in the Instrument of Proxy in respect of each Resolution referred to in the Notice of Meeting. In the absence of such directions the shares represented by such Instrument of Proxy will be voted in favour of each such Resolution.

Management is not aware of any matters other than those identified in the Notice of Meeting that may come before the Meeting. If, however, other matters properly come before the Meeting, or there are any amendments or variations to matters identified in the Notice of Meeting, the persons designated in the accompanying form of proxy will vote thereon in accordance with their best judgment pursuant to the discretionary authority conferred by the Instrument of Proxy with regard to such matters.

### **Designation of Persons Other Than Those Named in the Management Proxy**

Each Shareholder has the right to designate as his proxy a person other than those designated in the accompanying form of proxy to attend and vote for such Shareholder at the Meeting. Any Shareholder desiring to exercise such right may do so by striking out the names of the persons designated in the accompanying form of proxy and inserting, in the space provided, the name of the person he wishes to designate as his proxy, or he may do so by executing an instrument appointing a proxy in a form similar to the accompanying form of proxy.

### **Revocability of Proxy**

A Shareholder giving a proxy has power to revoke it at any time before it has been exercised, provided notice in writing of such revocation shall have been received by the Company at its registered office, Suite 1101, Royal Trust Building, Water Street, St. John's, Newfoundland, A1C 5J9, at least forty-eight hours before the commencement of the Meeting or adjourned Meeting at which the Instrument of Proxy is to be used.

Dated as of the 27th day of November, 1978.

By Order of the Board,

Paul F. McDonald

Secretary







AR30

APR 9 1979

**NOTICE  
of  
ANNUAL GENERAL MEETING**

NOTICE is hereby given that the Annual General Meeting of Brinco Limited ("the Company") will be held in the British Columbia Room of the Royal York Hotel, 100 Front Street West, Toronto, Ontario, at 11:00 a.m. (Toronto Time) on Thursday, April 26, 1979:

1. To consider the Company's accounts and balance sheet and the reports of the directors and auditors for the year ended December 31, 1978 and, if thought fit, pass as an Ordinary Resolution, Resolution No. 1, entitled "Accounts and Reports";
2. To elect directors;
3. To appoint auditors and authorize the directors to fix their remuneration;
4. To transact such other business of the Company as may properly come before the Meeting.

Resolution No. 1 referred to above is set forth on the following page.

Any Shareholder who is unable to attend the Meeting in person is entitled to be represented by a proxy and is requested, after referring to the pertinent sections of the attached Information Circular, to date, sign and return the enclosed form of proxy to The Royal Trust Company, P.O. Box 7500, Station "A", Toronto, Ontario M5W 1P9, not less than forty-eight hours before the time fixed for the Meeting. A proxy need not be a Shareholder of the Company.

Dated this 2nd day of April, 1979.

By Order of the Board,

Norbert M. Peters  
Vice-President and Secretary

Attached hereto:  
Information Circular

Enclosed herewith:  
Form of Proxy  
Addressed envelope



## **RESOLUTION**

RESOLUTION NO. 1 — To be Proposed as an Ordinary Resolution “Accounts and Reports”

RESOLVED

THAT the Company's accounts and balance sheet and the reports of the directors and auditors for the year ended December 31, 1978, be and they are hereby adopted.

## INFORMATION CIRCULAR

This Information Circular is furnished in accordance with the provisions of The Securities Act of Ontario, R.S.O. 1970, c.426, as amended, in connection with the solicitation by the management of Brinco Limited (the "Company") of proxies to be voted at the Annual General Meeting of the Company (the "Meeting"), to be held on the date and for the purposes set forth in the accompanying Notice of the Meeting. The information contained herein is given as of the 26th day of March, 1979.

### Solicitation of Proxies

**In addition to the present solicitation by management, proxies may also be solicited on behalf of management by directors, officers, and regular employees of the Company, by mail, by telegram or by telephone. The cost of solicitation, which is expected to be nominal, will be borne by the Company.**

### Election of Directors

The shares represented by the proxies solicited will be voted for the election of each of the proposed nominees listed below (or for substitute nominees in the event of contingencies not known at the date hereof). Each such nominee who is elected a director shall hold office until his retirement at the close or adjournment of the next following Annual General Meeting, unless his office is vacated earlier. The Articles of Association presently provide that at every Annual General Meeting all of the directors shall retire from office. All of the directors who will retire at the Meeting will, in accordance with the Articles of Association, be eligible for re-election at the Meeting.

### PROPOSED NOMINEES FOR ELECTION

The following are proposed for nomination for election as directors at the Meeting:-

Name	Period of Service as a Director (From)	Common Shares of the Company beneficially owned, directly or indirectly
E. Jacques Courtois, Q.C.*†	April 1973	500
Robert B. Dale-Harris	—	—
Lewis W. Foy*	April 1969	1,000
Alistair G. Frame	—	—
Donald R. Getty	—	—
Ryuta Kawasaki*	December 1977	—
Harry W. Macdonell, Q.C.*	April 1971	—
Harold L. Snyder*	January 1975	135
Hugh R. Snyder*†	October 1978	—
Sir Mark Turner*†	January 1976	—

\*Member of the present Board of Directors

†Member of the Executive Committee of the present Board of Directors

### PRINCIPAL OCCUPATION OF PROPOSED NOMINEES FOR ELECTION

Set out below is the principal occupation or employment of each person proposed to be nominated for election as a director, and where applicable positions and offices with the Company held by them, and in respect of Robert B. Dale-Harris, Alistair G. Frame, Donald R. Getty and Hugh R. Snyder, their principal occupation or employment within the five preceding years:

E. Jacques Courtois, a partner of Messrs. Courtois, Clarkson, Parsons & Tétrault, advocates, barristers and solicitors, Montreal, Quebec.

Robert B. Dale-Harris, retired former senior partner of Coopers & Lybrand, Chartered Accountants, Uxbridge, Ontario. From and prior to March 1974 and until March 1979 when he retired, Mr. Dale-Harris was a senior partner of the Toronto Office, Central Region of Coopers & Lybrand.

Lewis W. Foy, Chairman of Bethlehem Steel Corporation, manufacturer of steel and steel products, Bethlehem, Pa., U.S.A.

Alistair G. Frame, Deputy Chairman and Chief Executive, The Rio Tinto-Zinc Corporation Limited, an international mining and industrial corporation, London, England. From and prior to March 1974 and until January 1975, Managing Director of RTZ Development Enterprises Limited, a wholly-owned subsidiary of The Rio Tinto-Zinc Corporation Limited. He was appointed to the main Board of The Rio Tinto-Zinc Corporation Limited in September 1973, became Deputy Chief Executive in January 1977, and was appointed to his present function in September 1978.

Donald R. Getty, President, D. Getty Investments Ltd., a private investment company, Edmonton, Alberta. From and prior to March 1974 and until March 1975, Mr. Getty was Minister of Federal and Inter-governmental Affairs and from April 1975 to March 23, 1979, Minister of Energy and Natural Resources in the Government of the Province of Alberta. From and prior to March 1974 and until March 1979, Mr. Getty was a Member of the Legislative Assembly of Alberta for the constituency of Edmonton Whitemud.

Ryuta Kawasaki, Executive Vice-President, Marubeni Corporation of Japan, New York, U.S.A. He is also President of Marubeni America Corporation.

Harry W. Macdonell, a partner of McCarthy & McCarthy, barristers and solicitors, Toronto, Ontario.

Harold L. Snyder, Director, Centre for Cold Ocean Resources Engineering, Memorial University, St. John's, Newfoundland.

Hugh R. Snyder, President and Chief Executive Officer of the Company, Toronto, Ontario. From and prior to March 1974 and until November 1974, Mr. Snyder was Manager, Corporate Development of the Company. From February 1975 to August 1978, he was President and Chief Executive Officer of Western Mines Limited, a mining company. Mr. Snyder became President and Chief Executive Officer of the Company in October 1978.

Sir Mark Turner, Chairman of The Rio Tinto-Zinc Corporation Limited, an international mining and industrial corporation, London, England.

### **Appointment of Auditors**

It is intended that the shares represented by the proxies hereby solicited will be voted for the appointment of Peat, Marwick, Mitchell & Co. as auditors of the Company to hold office until the next Annual General Meeting of the Company, and for the authorization of the directors to fix their remuneration.

### **Voting Shares and Principal Holders Thereof**

As of the date hereof, there were outstanding in the hands of shareholders, 14,669,518 common shares of the Company's capital stock, without nominal or par value, and the holders thereof of record at the time of the Meeting will be entitled to one vote for each share held at such Meeting. In addition there are 9,973,067 shares of the Company, recently designated by legislation as Class A Shares of the Company, which are held by the Company, are not outstanding and will not be voted at the Meeting.

To the knowledge of the directors and senior officers of the Company, the only person or corporation which beneficially owns (within the meaning of The Securities Act (Ontario) ) directly or indirectly, more than 10% of the outstanding common shares of the Company is The Rio Tinto-Zinc Corporation Limited, 6 St. James's Square, London, England ("RTZ"). At the date hereof, RTZ owns 100 common shares directly, and through a wholly-owned subsidiary, Tinto Holdings Canada Limited, Suite 3209, Toronto-Dominion Centre, Toronto, Ontario ("Tinto"), RTZ beneficially owns 2,100 common shares. Thornwood Investments Limited (having the same address as Tinto), which is 80% owned by RTZ and 20% by Bethlehem Steel Corporation, Bethlehem, Pa., U.S.A. ("Bethlehem"), owns 12,113,831 common shares. For the purpose of The Securities Act (Ontario) on the date hereof, RTZ is deemed to own beneficially 12,116,031, or 82.6% of the outstanding common shares of the Company. RTZ's net beneficial interest in the common share equity of the Company is 66.1% and that of Bethlehem is 16.5%. Marubeni Corporation and The Fuji Bank, Limited are the beneficial owners of an aggregate of 1,200,000, or 8.2% of the outstanding common shares of the Company.



Upon a show of hands, every Shareholder present in person and every proxy who is not a Shareholder and who represents a Shareholder entitled to vote shall have one vote only.

Upon a poll, which may be demanded by the Chairman of the Meeting or by Shareholders representing not less than 5% of the shares represented at the Meeting in person or by proxy and entitled to vote, every such Shareholder shall have one vote for each common share of the Company registered in his name. A Shareholder may appoint another person, who need not be a Shareholder of the Company, as his proxy to attend and vote in his place and stead; where a corporation, being a Shareholder entitled to vote, is present by proxy, or by a person duly appointed who is not a Shareholder, such proxy or person shall, in addition to voting on a poll, be entitled to vote for such corporation on a show of hands. Upon a poll, the passing of an Ordinary Resolution requires the approval of a majority of the common shares represented at the Meeting either in person or by proxy. The passing of a Special Resolution requires the approval of at least 75% of the votes cast.

The instrument appointing the proxy shall be in writing under the hand of the Shareholder or of his attorney, duly authorized in writing or, if the Shareholder be a corporation, either under its corporate seal or under the hand of an officer or its attorney so authorized.

The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, to be effective, must be deposited with The Royal Trust Company, P.O. Box 7500, Station "A", Toronto, Ontario M5W 1P9, not less than forty-eight hours before the time appointed for holding the Meeting or adjourned Meeting at which the person named in the instrument proposes to vote. The instrument appointing a proxy shall be valid only for the Meeting for which it is given or any adjournment thereof.

### **Voting of Shares Represented by Management Proxy**

**The accompanying form of proxy confers discretionary voting authority upon the persons designated therein. The shares represented by any valid Instrument of Proxy on the said form and appointing the persons named therein to represent the Shareholder at the Meeting will be voted in accordance with the directions of the Shareholder as specified in the Instrument of Proxy in respect of each Resolution referred to in the Notice of Meeting. In the absence of such directions the shares represented by such Instrument of Proxy will be voted in favor of each such Resolution.**

**Management is not aware of any matters other than those identified in the Notice of Meeting that may come before the Meeting. If, however, other matters properly come before the Meeting, or there are any amendments or variations to matters identified in the Notice of Meeting, the persons designated in the accompanying form of proxy will vote thereon in accordance with their best judgment pursuant to the discretionary authority conferred by the Instrument of Proxy with regard to such matters.**

### **Designation of Persons Other Than Those Named in the Management Proxy**

**Each Shareholder has the right to designate as his proxy a person other than those designated in the accompanying form of proxy to attend and vote for such Shareholder at the Meeting. Any Shareholder desiring to exercise such right may do so by striking out the names of the persons designated in the accompanying form of proxy and inserting, in the space provided, the name of the person he wishes to designate as his proxy, or he may do so by executing an instrument appointing a proxy in a form similar to the accompanying form of proxy.**

### **Revocability of Proxy**

A Shareholder giving a proxy has power to revoke it at any time before it has been exercised, provided notice in writing of such revocation shall have been received by the Company at its office, 33 City Centre Drive, Suite 210, Mississauga, Ontario, L5B 2S8, at least forty-eight hours before the commencement of the Meeting or adjourned Meeting at which the instrument of Proxy is to be used.

## Remuneration of Management and Others

The aggregate direct remuneration paid or agreed to be paid to directors and senior officers of the Company during the year ended December 31, 1978 was \$584,000. The aggregate remuneration paid or proposed to be paid to senior officers, including senior officers who are directors, as bonuses, retirement or severance allowances was \$179,000.

The estimated aggregate cost to the Company and its subsidiaries in the year ended December 31, 1978 of all pension benefits proposed to be paid under any normal pension plan, directly or indirectly, by the Company and its subsidiaries to directors and senior officers of the Company, in the event of their retirement at normal retirement age, was \$9,400.

In 1975, 200,000 common shares were reserved for issuance in accordance with the provisions of the 1975 Stock Option Plan ("Plan"). Under a grant of September 2, 1976, options to senior officers were outstanding on 10,000 shares at \$4.00 per share as of March 26, 1979, to be exercised prior to September 2, 1981.

On August 31, 1978, an option under the Plan was granted to a director and senior officer on 50,000 shares at \$7.00 per share, to be exercised prior to August 31, 1983. The price range of the common shares for the 30 day period preceding the date of the grant was a high of  $\$8\frac{1}{8}$  and a low of \$4.75.

On January 22, 1979, an option under the Plan was granted to a senior officer on 30,000 shares at \$6.30 per share to be exercised prior to January 22, 1984. The price range of the common shares for the 30 day period preceding the date of the grant was a high of  $\$7\frac{7}{8}$  and a low of  $\$6\frac{3}{4}$ .

On February 26, 1979, options under the Plan were granted to senior officers on 15,000 shares at \$7.00 per share, to be exercised prior to February 26, 1984. The price range of the common shares for the 30 day period preceding the date of the grant was a high of  $\$8\frac{1}{8}$  and a low of  $\$6\frac{5}{8}$ .

Dated as of the 26th day of March, 1979.

By Order of the Board,  
Norbert M. Peters  
Vice-President and Secretary







SUBSCRIPTION AGREEMENT

THIS AGREEMENT made as of the 20th day of August, 1980,

B E T W E E N:

BRINCO LIMITED, a corporation  
incorporated under the laws of  
the Province of Newfoundland  
(hereinafter referred to as  
"Brinco"),

OF THE FIRST PART,

- and -

OLYMPIA & YORK DEVELOPMENTS LIMITED,  
a corporation incorporated under the  
laws of the Province of Ontario  
(hereinafter referred to as the  
"Company"),

OF THE SECOND PART.

WHEREAS:

- (a) Brinco is a corporation duly incorporated and organized under the laws of the Province of Newfoundland;
- (b) Brinco is proposing to acquire all of the issued and outstanding shares of the capital of Cassiar Resources Limited; and
- (c) subject to the terms and conditions hereinafter set forth, the Company has agreed to subscribe for and purchase from Brinco and Brinco has agreed to issue and





SUBSCRIPTION AGREEMENT

THIS AGREEMENT made as of the 20th day of August, 1980,

B E T W E E N:

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- and -

OLYMPIA & YORK DEVELOPMENTS LIMITED,  
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(hereinafter referred to as the  
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OF THE SECOND PART.

WHEREAS:

- (a) Brinco is a corporation duly incorporated and organized under the laws of the Province of Newfoundland;
- (b) Brinco is proposing to acquire all of the issued and outstanding shares of the capital of Cassiar Resources Limited; and
- (c) subject to the terms and conditions hereinafter set forth, the Company has agreed to subscribe for and purchase from Brinco and Brinco has agreed to issue and



allot to the Company the Purchased Shares (as hereinafter defined), the proceeds of which issue Brinco proposes to apply towards the cost of the acquisition of the issued and outstanding shares of the capital of Cassiar Resources Limited;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the respective covenants herein contained and other good and valuable consideration (the receipt and sufficiency whereof by each party, the one to the other, is hereby acknowledged), the parties hereto agree as follows:

#### ARTICLE I

##### INTERPRETATION

SECTION 1.01 Definitions. The following terms shall have the meanings ascribed to them below unless there is something in the context inconsistent therewith:

- (1) "Act" means The Companies Act (Newfoundland), R.S. Nfld. 1970, C. 54, as amended;
- (2) "Agreement" means this agreement between Brinco and the Company made as of the 20th day of August, 1980, as the same may be amended, extended, replaced or restated





from time to time in accordance with the terms hereof, and the expressions "herein", "hereof", "hereto" and similar expressions refer to this Agreement and/or, where applicable, to the appropriate Schedule or Schedules hereto;

- (3) "Article" means a separately numbered Article of this Agreement and includes all Sections contained in such Article;
- (4) "Brinco" means Brinco Limited, the party of the first part to this Agreement;
- (5) "Brinco Constating Documents" means, collectively, the Memorandum of Association and Articles of Association of Brinco attached as Schedule A hereto and shall include such amendments thereto as are only necessary to give effect to the transactions contemplated pursuant to this Agreement;
- (6) "Brinco Counsel" means Messrs. McCarthy & McCarthy, Toronto, Ontario, or such other counsel designated by Brinco and acceptable to the Company;
- (7) "Cassiar" means Cassiar Resources Limited;





- (8) "Cassiar Purchase Agreement" means an agreement dated August 1, 1980 (as amended by telex agreement of various subsequent dates permitting the effective date of such agreement to occur not later than August 15, 1980) among Brinco and the Cassiar Share Vendors relating to the purchase by Brinco from the Cassiar Share Vendors of the Cassiar Shares;
- (9) "Cassiar Share Vendors" means Turner & Newall Limited, Newmont Mining Corporation, James Hardie Industries Limited, J.H. Industries (U.K.) Limited and Raybestos-Manhattan, Inc.;
- (10) "Cassiar Shares" means all of the common shares without nominal or par value in the capital of Cassiar owned by the Cassiar Share Vendors and/or wholly-owned subsidiaries of the Cassiar Share Vendors, and being 3,236,442 shares in the aggregate;
- (11) "Closing Date" means the date on which the closing of the transaction contemplated by this Agreement shall occur, which date will be established as provided in Section 2.03 hereof;



- (12) "Common Share Purchase Agreement" means the agreement of even date hereof made between the Company and the Vendors and relating to the purchase by the Company from the Vendors of certain Common Shares owned by the Vendors;
- (13) "Common Shares" means the common shares without nominal or par value of Brinco;
- (14) "Company" means Olympia & York Developments Limited, the party of the second part to this Agreement;
- (15) "Company Counsel" means Messrs. Davies, Ward & Beck, Toronto, Ontario, or such other counsel designated by the Company;
- (16) "Effective Date" means the date on which the FIRA Opinion is issued;
- (17) "FIRA" means the Foreign Investment Review Act (Canada), S.C. 1973-74, C.46, as amended;
- (18) "FIRA Opinion" means an opinion from the Minister responsible for FIRA, given pursuant to Section 4(1) of FIRA, on terms satisfactory to Brinco and the Company





and their respective counsel, to the effect that Brinco is not, or will not be as a result of the consummation of the transactions contemplated in this Agreement and the Common Share Purchase Agreement, a Non-Eligible Person;

- (19) "Non-Eligible Person" shall have the same meaning as in FIRA;
- (20) "Preferred Shares" means the class of preferred shares with a par value of \$5.50 each of Brinco;
- (21) "Preferred Shares Series A" means the 7% cumulative convertible redeemable retractable preferred shares series A with a par value of \$5.50 each of Brinco;
- (22) "Preferred Shares Series B" means the convertible retractable preferred shares series B with a par value of \$5.50 each of Brinco;
- (23) "Preferred Shares Series C" means the 8% cumulative convertible preferred shares series C with a par value of \$5.50 each of Brinco;





- (24) "Preferred Share Series C Provisions" means the rights, privileges, preferences, restrictions and conditions to be attached to the Preferred Shares Series C as a series as set forth in Schedule B;
- (25) "Purchased Shares" means the 7,272,728 Preferred Shares Series C subscribed for by the Company as provided in Article II;
- (26) "Subsidiary" means any company or corporation wheresoever or however incorporated, equity shares, in such number entitling the holders to elect the majority of the board of directors thereof, of which are owned by any company or corporation and shall include any company or corporation in like relationship to a Subsidiary; "equity shares" means the shares of capital stock of a company or corporation of any class, howsoever designated, carrying voting rights under all circumstances and any shares of a company or corporation carrying voting rights by reason of the occurrence of any contingency that has occurred and is continuing; for purposes of this Agreement Cassiar shall be deemed not to be a Subsidiary of Brinco;



- (27) "Vendors" means Tinto Holdings Canada Limited, Interocean Shipping Company, Marubeni Corporation and The Fuji Bank, Limited; and
- (28) "1979 Financial Statements" means the audited consolidated financial statements of Brinco for the fiscal year ended December 31, 1979, consisting of a consolidated statement of financial position as at December 31, 1979 and consolidated statements of earnings, retained earnings and changes in financial position for the fiscal year then ended and notes thereto, as reported upon by Peat, Marwick, Mitchell & Co., and contained in the 1979 Annual Report forwarded to the shareholders of Brinco.

SECTION 1.02 References to Statutes. All references herein and in all documentation delivered pursuant hereto to particular statutes, regulations made thereunder and sections thereof, shall be to such statutes, regulations and sections as the same exist at the date of this Agreement and as the same may from time to time be amended, re-enacted or replaced.

SECTION 1.03 Number, etc. Words importing the singular number only shall include the plural and vice versa, words importing the





use of any gender shall include all genders and words importing persons shall include firms and corporations and vice versa.

SECTION 1.04 Severability. In the event that one or more non-material provisions in this Agreement or any agreement or document required hereunder to be delivered shall be invalid, illegal or unenforceable in any respect under any applicable law, the validity, legality and enforceability of the remaining provisions hereof and thereof shall not be affected or impaired thereby.

SECTION 1.05 Canadian Funds. All references in this Agreement to dollar amounts shall mean Canadian dollars.

SECTION 1.06 Governing Laws. This Agreement shall be construed and enforced in accordance with the laws of the Province of Ontario.

## ARTICLE II

### SUBSCRIPTION FOR PREFERRED SHARES SERIES C

SECTION 2.01 Subscription. Subject to the terms and conditions hereof, the Company hereby subscribes and agrees to pay for at the closing 7,272,728 fully paid Preferred Shares Series C (the "Purchased Shares") at and for an aggregate subscription price of





\$40,000,004. Brinco hereby agrees to allot and issue at the closing the Purchased Shares to the Company for such amount.

SECTION 2.02 Share Certificates. The Company hereby authorizes and directs Brinco to deliver at the closing certificates representing the Purchased Shares registered as follows:

<u>Registration Particulars</u>	<u>Number</u>
Olympia & York Investments Limited, 1 First Canadian Place, Toronto, Ontario	7,272,728

SECTION 2.03 Closing. Subject to the terms and conditions hereof, the closing shall take place at 10:00 a.m. (Toronto time) at the executive offices of Brinco on a date (the "Closing Date") to be specified by Brinco by written notice to the Company, which written notice shall be given forthwith upon receipt by Brinco of the FIRA Opinion, and which Closing Date shall not be less than five (5) days nor more than thirty (30) days following the Effective Date, provided that such Closing Date shall be at least two (2) business days following the receipt by the Company of the aforementioned written notice, or at such other time and place as may be mutually convenient to and agreed upon by the parties hereto. Brinco shall use its best efforts to consummate the



transactions provided for in the Cassiar Purchase Agreement as soon as reasonably practicable following the Closing Date.

SECTION 2.04 Procedure for Payment. Payment for the Purchased Shares shall be made by the Company delivering to Brinco at the closing referred to in Section 2.03 hereof a certified cheque or bank draft for the aggregate purchase price for the Purchased Shares against delivery of a definitive certificate or certificates representing the Purchased Shares registered as provided in Section 2.02 hereof and countersigned by the transfer agent and registrar for the Preferred Shares Series C.

### ARTICLE III

#### REPRESENTATIONS AND WARRANTIES RESPECTING BRINCO

Brinco represents and warrants to the Company as follows:

SECTION 3.01 Corporate Existence and Good Standing. Brinco is a corporation duly and validly incorporated, organized and subsisting under the laws of the Province of Newfoundland, has all necessary corporate power and authority to own its properties and carry on its business as presently carried on; and is duly qualified as a corporation to do business or own or lease property in each jurisdiction where the nature of its business or





the property owned or leased by it makes such qualification necessary.

SECTION 3.02 Corporate Authority. Brinco has full power, legal right and authority to enter into this Agreement and the Cassiar Purchase Agreement and has such power, legal right and authority to do all such acts and things as are required hereunder and thereunder to be done, observed or performed by it, subject to and in accordance with the terms hereof and thereof.

SECTION 3.03 Valid Authorization of this Agreement. All necessary corporate action of the directors and/or shareholders of Brinco to authorize the execution, delivery and performance of this Agreement has been taken; this Agreement has been duly executed and delivered on behalf of Brinco and constitutes a valid, binding and legally enforceable agreement of Brinco except that the enforceability of this Agreement may be limited by bankruptcy laws or other similar laws generally affecting the enforceability of creditors' rights, and except that equitable remedies are only available in the discretion of a court of law.

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SECTION 3.04 Brinco Constating Documents. At the time of closing on the Closing Date the Brinco Constating Documents will be as set forth in Schedule A annexed hereto, as amended only to





the extent necessary in order to give effect to the transactions contemplated hereby and at the time of closing on the Closing Date there will not be any application authorized, pending or made for any amendment of the Brinco Constating Documents.

SECTION 3.05 Validity of Agreement - Non-Conflict. None of the authorization, execution, delivery or performance by Brinco of this Agreement or of the Cassiar Purchase Agreement, including, without limitation, the allotment and issuance of the Purchased Shares, requires any approval or consent of any governmental authority or agency having jurisdiction (except, in the case of the Agreement, such as has already been or at or prior to the closing will be obtained and except, in the case of the Cassiar Purchase Agreement, as required within the terms of such agreement) nor is in conflict with or contravention of the Brinco Constating Documents (including the provisions attaching to the Preferred Shares Series A and the Preferred Shares Series B), resolutions of the directors or shareholders of Brinco or the provisions of any indenture, instrument, agreement or undertaking to which Brinco or any of its Subsidiaries is a party or by which Brinco or any of its Subsidiaries or the properties or assets of Brinco or any of its Subsidiaries are or may become bound or constitutes a default thereunder or results in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of Brinco or any



of its Subsidiaries pursuant to the terms of any such indenture, instrument, agreement or undertaking. The Purchased Shares when allotted and issued pursuant to Section 2.01 hereof will constitute fully paid and non-assessable Preferred Shares Series C.

SECTION 3.06 Securities Legislation. Brinco is a "reporting issuer", as defined in The Securities Act, 1978 (Ontario), and is not in material default of any filings required to be made pursuant thereto and the Regulation made thereunder. Subject to compliance by the Company with the provisions of Section 4.02 hereof and to the filing of a Form 19 report under the Regulation to The Securities Act, 1978 (Ontario) within ten (10) days following the Closing Date neither the allotment nor the insurance of the Purchased Shares to the Company will result in any contravention of any applicable securities legislation.

SECTION 3.07 Absence of Litigation. There is not now pending against Brinco or any of its Subsidiaries or, to the knowledge of any of the officers of Brinco, threatened against Brinco or any of its Subsidiaries any material litigation, action, suit or other proceeding by or before any court, tribunal or other competent governmental agency or authority.





SECTION 3.08 Cassiar Purchase Agreement. The Cassiar Purchase Agreement has been duly executed and delivered on behalf of Brinco and constitutes a valid, binding and legally enforceable agreement of Brinco except that enforceability of the Cassiar Purchase Agreement may be limited by bankruptcy laws or other similar laws generally affecting the enforceability of creditors' rights, and except that equitable remedies are only available in the discretion of a court of law.

SECTION 3.09 Capitalization. Brinco's authorized capital as at August 13, 1980 consisted of:

(1) 35,000,000 Common Shares, and

(2) 10,000,000 Preferred Shares, of which

(i) 2,094,755 shares consist of a series designated as Preferred Shares Series A, and

(ii) 286,262 shares consist of a series designated as Preferred Shares Series B,

of which as at such date 16,897,659 Common Shares, 2,094,755 Preferred Shares Series A and 286,262 Preferred Shares Series B were issued and outstanding as fully paid and non-assessable and





403,900 Common Shares were reserved for issuance pursuant to outstanding options. In addition there were 7,762,632 Common Shares designated by legislation as Class A shares held by Brinco and not outstanding. As at the time of closing on the Closing Date, Brinco's authorized capital shall consist of

(1) 35,000,000 Common Shares, and

(2) 10,000,000 Preferred Shares of which

(i) 2,094,755 shares shall consist of a series designated as Preferred Shares Series A,

(ii) 286,262 shares shall consist of a series designated as Preferred Shares Series B, and

(iii) 7,300,000 shares shall consist of a series designated as Preferred Shares Series C,

of which the only issued and outstanding shares will be the aforementioned 16,897,659 Common Shares, 2,094,755 Preferred Shares Series A, 286,262 Preferred Shares Series B and 7,272,728 Preferred Shares Series C (except to the extent that the authorized and issued capital of any class or series of shares shall, since August 13, 1980, have been changed as a result of



the subsequent conversion or redemption of Preferred Shares in accordance with their respective terms) and such of the aforementioned reserved Common Shares as shall have theretofore been issued. Since the date of their respective issue there has been no change in the basis of conversion of the Preferred Shares Series A or Preferred Shares Series B from that provided in clauses 3(a) and 2(a) of the respective provisions of such shares.

SECTION 3.10 Preferred Share Series C Provisions. At the time of closing on the Closing Date the rights, privileges, preferences, restrictions and conditions attaching to the Preferred Shares Series C as a series will be as set forth in the Preferred Share Series C Provisions and no other shares of Brinco shall rank equally with or prior to the Preferred Shares Series C in respect of payment of dividends or repayment of capital, except the Preferred Shares Series A and the Preferred Shares Series B.

SECTION 3.11 Contracts or Rights for Unissued Shares. As at the date hereof there are not, nor at the time of closing on the Closing Date will there be, any contracts, options, rights in equity or at law or otherwise binding upon or which at any time in the future may be capable of becoming binding upon Brinco to allot or issue (other than pursuant to the provisions of this





Agreement) any of the unissued shares of the capital of Brinco, except (a) in connection with Brinco's 1975 Stock Option Plan pursuant to which not more than 403,900 Common Shares may be issued, and (b) in connection with the rights of conversion attaching to the outstanding Preferred Shares Series A and Preferred Shares Series B pursuant to which not more than 1,321,367 Common Shares may be issued.

SECTION 3.12 Financial Statements. The 1979 Financial Statements are complete and correct, have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with prior periods (except as and to the extent noted in the notes thereto) and accurately and fairly present and disclose, on a consolidated basis, the assets, liabilities and the financial condition of the business of Brinco and its Subsidiaries as at the date thereof and the results of their operations and the source and application of their funds for the 12 month period then ended and reflect, on a consolidated basis, all known liabilities (whether accrued, absolute, contingent or otherwise) of Brinco and its Subsidiaries as at such date. The interim unaudited consolidated financial statements of Brinco, for the six month period ended June 30, 1980 and previously delivered to the Company are complete and correct, have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with the 1979 Financial Statements and





accurately and fairly present and disclose, on a consolidated basis, the assets, liabilities and the financial condition of the business of Brinco and its Subsidiaries as at the date thereof and the results of their operations and the source and application of funds for the six month period then ended and reflect, on a consolidated basis, all known liabilities (whether accrued, absolute, contingent or otherwise) of Brinco and its Subsidiaries as at such date.

SECTION 3.13 Financial Condition. The consolidated financial position of Brinco and its Subsidiaries is at the date hereof and will on the Closing Date be at least as good as that shown on or disclosed in the interim unaudited consolidated financial statements of Brinco for the six months ended June 30, 1980 and since June 30, 1980 there has been no materially adverse change in the business, results of operations, assets, financial condition or affairs of Brinco and its Subsidiaries considered as a single enterprise, financial or otherwise. Since June 30, 1980, the business and affairs of Brinco and its Subsidiaries considered as a single enterprise have been carried on, and will be carried on from the date hereof to the Closing Date, in the ordinary and normal course except that Brinco has entered into the Cassiar Purchase Agreement.



SECTION 3.14 Liabilities. There are not at the date hereof and will not at the time of closing be any material liabilities of Brinco or any of its Subsidiaries of any kind whatsoever, whether or not accrued and whether or not determined or determinable, other than:

- (a) liabilities disclosed or provided for in the 1979 Financial Statements;
- (b) liabilities disclosed or referred to in this Agreement; and
- (c) liabilities incurred in the ordinary course of business and attributable to the period since December 31, 1979, none of which has been or will be materially adverse to the nature of the business, results of operations, assets or financial condition of Brinco and its Subsidiaries considered as a single enterprise.

SECTION 3.15 Additional Subsidiaries. Except for the proposed acquisition of Cassiar Shares pursuant to the Cassiar Purchase Agreement, since June 30, 1980 neither Brinco nor any of its Subsidiaries as at that date has acquired any additional Subsidiaries nor entered into any agreement to acquire any additional Subsidiaries and will not, up to the time of closing





on the Closing Date, acquire or agree to acquire, any Subsidiary without the prior written consent of the Company.

SECTION 3.16 Dividends. Since June 30, 1980, Brinco has not, directly or indirectly, declared or paid any dividends or declared or made any other distribution on any of its shares of any class, and Brinco will not, directly or indirectly, up to the time of closing on the Closing Date, declare or pay any dividends or make any distribution on any of its shares of any class, except with respect to the fixed cumulative preferential cash dividends payable on the Preferred Shares Series A.

SECTION 3.17 Capital Expenditures. No capital expenditures have been made or authorized by Brinco or any of its Subsidiaries since June 30, 1980 and no capital expenditures will be made or authorized up to the time of closing on the Closing Date by Brinco or any of its Subsidiaries without the prior written consent of the Company, except in each case as stated above with respect to capital expenditures made in the ordinary course of business and on a basis consistent with capital expenditures made or authorized during the six month period ended June 30, 1980.

SECTION 3.18 Public Corporation. Brinco is a public corporation within the meaning of the Income Tax Act (Canada).



ARTICLE IV

REPRESENTATIONS AND WARRANTIES RESPECTING COMPANY

The Company represents and warrants to Brinco as follows:

SECTION 4.01 Valid Authorization of this Agreement. All necessary corporate action of the directors and/or shareholders of the Company to authorize the execution, delivery and performance of this Agreement has been taken; this Agreement has been executed and delivered on behalf of the Company and constitutes a valid, binding and legally enforceable agreement of the Company except that the enforceability of the Agreement may be limited by bankruptcy laws or other similar laws generally affecting the enforceability of creditors' rights, and except that equitable remedies are only available in the discretion of a court of law.

SECTION 4.02 Purchase as Principal for Investment. The Company is purchasing the Purchased Shares as principal for investment only and not with a view to resale, distribution or distribution to the public; subject to completion of the transaction of purchase and sale of the Purchased Shares in accordance with the terms and conditions hereof, the Company agrees to execute and deliver at the time of closing Schedule 2 to Form 19 under the Regulation to The Securities Act, 1978 (Ontario). The Company





has not received from Brinco an "offering memorandum" within the meaning of clause 20(1)(b) of the Regulation to The Securities Act, 1978 (Ontario) and, as a result thereof, agrees with Brinco that the Company need not be given a "contractual right of action" within the meaning of clause 20(1)(a) of such Regulation as a condition of relying on the exemption from the prospectus requirement in clause 71(1)(d) of The Securities Act, 1978 (Ontario).

SECTION 4.03 FIRA Status of Company. The Company is not at the date hereof and will not be at the time of closing a Non-Eligible Person.

SECTION 4.04 Olympia & York Investments Limited. All of the issued and outstanding shares of Olympia & York Investments Limited are at the date hereof and will be at the time of closing beneficially owned by the Company.

## ARTICLE V

### CONDITIONS PRECEDENT TO CLOSING

:

SECTION 5.01 Mutual Conditions. The obligations of Brinco to allot and issue the Purchased Shares and of the Company to purchase the Purchased Shares are conditional upon prior compliance with each of the following conditions precedent, it



being agreed that such conditions precedent are for the mutual benefit of Brinco and the Company and may be waived by them only jointly in whole or in part in writing:

- (a) FIRA Opinion - The FIRA Opinion shall have been obtained by Brinco and a copy of same furnished to the Company;
- (b) Cassiar Purchase Agreement - None of the Cassiar Share Vendors shall have been discharged, or be entitled at law or in equity, to be discharged in whole or in part from their obligations pursuant to the Cassiar Purchase Agreement, and there shall not have occurred any variation in or amendment of the Cassiar Purchase Agreement unless same has been consented to by the Company in writing; provided that Brinco shall not be entitled to the benefit of this condition if any of the Cassiar Share Vendors have been discharged, or are entitled at law or in equity to be discharged, in whole or in part, from their obligations pursuant to the Cassiar Purchase Agreement as a result of any act by Brinco;
- (c) Purchase of Common Shares - All conditions to the completion of the purchase by the Company from the





Vendors of certain Common Shares pursuant to the Common Share Purchase Agreement shall have been satisfied and the completion of such transaction shall have occurred contemporaneously with the purchase of the Purchased Shares hereunder;

- (d) Relief from Obligation to Make Follow-up Offer - The Company shall have obtained an order of the Ontario Securities Commission, on terms satisfactory to the Company, Brinco and their respective counsel, relieving the Company of any obligations under The Securities Act, 1978 (Ontario) to make a follow-up offer for Common Shares other than those to be purchased pursuant to the Common Share Purchase Agreement; and
- (e) Regulatory Action - No action or proceedings, at law and equity, shall be pending or threatened by any person, company firm, governmental authority, securities commission, regulatory body or agency to enjoin the purchase and sale of the Purchased Shares contemplated hereby or the purchase and sale of the Cassiar Shares pursuant to the Cassiar Purchase Agreement or to suspend or cease or stop trading in the shares of Brinco or Cassiar.



SECTION 5.02 Conditions in Favour of Company. The obligation of the Company to purchase the Purchased Shares is conditional upon prior compliance with each of the following conditions precedent, it being agreed that such conditions precedent are for the sole and exclusive benefit of the Company and may be waived by it in whole or in part in writing:

- (a) Accuracy of Representations and Warranties - The representations and warranties of Brinco set forth in Article III hereof shall be true and correct as of the time of closing as if made at such time;
- (b) Certificates - Brinco shall have furnished to the Company a certificate, satisfactory in scope and substance to the Company, dated the Closing Date and signed by an officer or officers of Brinco satisfactory to the Company certifying that as of the Closing Date the representations and warranties of Brinco set forth in Article III hereof are true and correct as if made on such date of closing;
- (c) Performance of Covenants - Brinco shall have complied with the covenants provided for in Article VI;





- (d) Stock Exchange Approvals - Each stock exchange in Canada upon which the Common Shares of Brinco will be listed for trading as at the time of closing will have approved the creation, issue and allotment of the Preferred Shares Series C under the terms of this Agreement pursuant to any applicable by-laws or regulations of such stock exchange and each such stock exchange shall have accepted as at such time the listing and posting for trading of a sufficient number of Common Shares into which the Preferred Shares Series C are convertible at that time subject to the filing of required documents and notice of issuance thereof; and
- (e) Legal Matters and Opinion of Brinco Counsel - All legal matters incident to the transactions contemplated in this Agreement shall be satisfactory to the Company and Company Counsel, and the Company shall have received the favourable written opinion of Brinco Counsel dated the Closing Date satisfactory in scope and substance to the Company and Company Counsel with respect to the following matters:
- (i) Brinco is a corporation duly incorporated, organized and validly subsisting under the laws of the Province of Newfoundland and is duly qualified



to carry on business in all jurisdictions in which it presently carries on business, and has all necessary corporate power to own its properties and to carry on its business as aforesaid and to enter into this Agreement and the Cassiar Purchase Agreement and perform all its respective obligations hereunder and thereunder;

- (ii) all necessary corporate action has been taken by Brinco to authorize the execution, delivery and performance of this Agreement and the Cassiar Purchase Agreement each of which agreements has been duly executed and delivered by Brinco and constitutes a valid, binding and legally enforceable agreement of Brinco except that the enforceability of such agreements may be limited by bankruptcy laws or other similar laws generally affecting the enforceability of creditors' rights, and except that equitable remedies are only available in the discretion of a court of law;

- (iii) the Purchased Shares subscribed for by the Company under this Agreement have been duly and validly created, allotted and issued and registered in the name of the Company or its nominee and are





outstanding as fully paid and non-assessable; the conditions attaching to the Purchased Shares are identical in all respects to the Preferred Shares Series C Provisions; and there are no provisions of any governing law which would prevent Brinco from complying with the Preferred Share Series C Provisions;

- (iv) subject to compliance by the Company with Section 4.02, none of the authorization, execution, delivery or performance by Brinco of this Agreement and the Cassiar Purchase Agreement requires any approval or consent of any governmental authority or agency having jurisdiction (except such as has already been obtained) or conflicts with or is in contravention of any of the terms, conditions and provisions of (a) the Brinco Constating Documents or (b) any agreement or indenture to which Brinco is a party or by which it or its properties or assets are or may be bound and of which such counsel has knowledge after making due inquiry or constitutes a default thereunder or results in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties



or assets of Brinco pursuant to the terms of any such agreement or instrument, or violates any provision of law;

- (v) Brinco has duly reserved sufficient Common Shares for issue to the persons entitled thereto upon the exercise of conversion rights provided for in the Preferred Shares Series C Provisions upon the conversion basis therein provided in effect at the Closing Date and such Common Shares, when so issued, will be validly issued and outstanding as fully paid and non-assessable;
- (vi) the issuance and sale of the Purchased Shares to the Company pursuant to this Agreement are exempt from the registration and prospectus requirements of The Securities Act, 1978 (Ontario), provided that, within 10 days after the sale of the Purchased Shares to the Company the Company shall duly execute and deliver to Brinco Schedule 2 to Form 19 under the Regulation to The Securities Act, 1978 (Ontario) and Brinco shall file with the Ontario Securities Commission a report in respect of such trade duly prepared and executed in accordance with such Form 19;





- (vii) the form and terms of the definitive certificates representing the Preferred Shares Series C and the Common Shares have been approved and adopted by the directors of the Company and comply with all applicable legal or stock exchange requirements relating thereto; and
- (viii) Guaranty Trust Company of Canada, at its principal office in the cities of St. John's, Montreal, Toronto and Calgary, has been duly appointed the transfer agent and registrar for the Preferred Shares Series C and The Royal Trust Company, at its principal office in the cities of St. John's, Montreal, Toronto and Calgary, has been duly appointed the transfer agent and registrar for the Common Shares.

In giving such opinion, Brinco Counsel may rely, as to any matters affected by the laws of any jurisdiction other than the Province of Ontario and other than the laws of Canada of general application, upon the opinion of local counsel in any such jurisdiction, provided that Brinco Counsel is of the opinion that such opinion of local counsel is one upon which the Company, Company Counsel and Brinco Counsel may rely.



SECTION 5.03 Conditions in Favour of Brinco. The obligation of Brinco to issue the Purchased Shares is conditional upon prior compliance with each of the following conditions precedent, it being agreed that such conditions precedent are for the sole and exclusive benefit of Brinco and may be waived by it in whole or in part in writing:

- (a) Accuracy of Representations and Warranties - The representations and warranties of the Company set forth in Article IV hereof shall be true and correct as of the time of closing as if made at such time; and
- (b) Certificates - The Company shall have furnished to Brinco a certificate, satisfactory in scope and substance to Brinco, dated the Closing Date and signed by an officer or officers of the Company satisfactory to Brinco certifying that as of the Closing Date the representations and warranties of the Company set forth in Article IV hereof are true and correct as if made on such date of closing.





ARTICLE VI

COVENANTS OF BRINCO

SECTION 6.01 Covenants. Brinco covenants and agrees with the Company as follows:

- (a) FIRA Opinion - Brinco will file an application for the issue of the FIRA Opinion as expeditiously as possible and will take all necessary and reasonable steps within its power to expedite the issuance of the FIRA Opinion.
- (b) Cassiar Purchase Agreement - Brinco will not release or discharge any of the Cassiar Share Vendors from their obligations under the Cassiar Purchase Agreement and will not consent to any variation in or amendment of the Cassiar Purchase Agreement without, in either case, the prior written consent of the Company. Brinco will acquire the Cassiar Shares pursuant to the Cassiar Purchase Agreement not later than the expiry of the First Option Period (as defined in the Cassiar Purchase Agreement).
- (c) Conversion Basis - Brinco will not take any action prior to the Closing Date which will result in a change being made or required to be made in the basis of



conversion into Common Shares of the Preferred Shares Series A or the Preferred Shares Series B and provided for in clauses 3(a) and 2(a) of the respective conditions attaching to such shares.

- (d) Conduct of Business - Until the Closing Date Brinco will carry on its business and affairs in the ordinary and normal course, except and to the extent as may be consented to in writing by the Company.

## ARTICLE VII

### GENERAL

SECTION 7.01 Payment of Expenses. Each party shall pay its out-of-pocket expenses in connection with the preparation of this Agreement and the fees, expenses and disbursements of its own counsel incurred in connection with the preparation of this Agreement and all documentation provided for or contemplated hereunder, in connection with any amendment or modification hereof or thereof or any waiver of any of the provisions hereof or thereof.

SECTION 7.02 Survival. All agreements, representations, warranties and covenants of each party made herein, in any certificate or other document delivered by it or on its behalf





pursuant to the provisions hereof or otherwise with respect to this Agreement and the transactions contemplated hereby, are material, shall be deemed to have been relied upon by the other party notwithstanding any investigation heretofore or hereafter made by such party or its counsel and shall survive the execution of this Agreement and the purchase of the Purchased Shares by the Company hereunder for a period of twelve (12) months following the date of closing.

SECTION 7.03 Assignment. This Agreement and all agreements and instruments delivered to the Company by Brinco pursuant hereto or as contemplated hereby shall enure to the benefit of the Company and Brinco and their respective successors and assigns but none of the foregoing nor the benefit thereof may be assigned by Brinco or the Company without the prior written consent of the other party. Notwithstanding the foregoing, the Company may assign this Agreement and its obligations hereunder to any affiliate (as defined in the Canada Business Corporations Act) of the Company provided that the Company guarantees to Brinco the performance by such affiliate of such obligations.

SECTION 7.04 Waivers. Either party may waive compliance by the other party with any conditions precedent to the allotment and purchase of the Purchased Shares or compliance with any other term and condition hereof, but no such waiver shall be construed



as a waiver of any term or condition other than that specifically waived by such party, nor shall any such waiver extend to limit the rights of such party to insist upon full compliance with any such terms or conditions subsequent to the granting of any such waiver.

SECTION 7.05 Termination. In the event that the Effective Date has not occurred on or before the expiry of the First Option Period (as defined in the Cassiar Purchase Agreement), the Company may, at its option, terminate its obligations hereunder by written notice to Brinco.

SECTION 7.06 Notices. All notices or other communications given pursuant to this Agreement and (unless otherwise specifically provided for in the Preferred Share Series C Provisions) the Preferred Share Series C Provisions shall be in writing and, if mailed by first class registered mail, shall be deemed to have been received three (3) business days after the post-marked date thereof and, if telegraphed or telexed, shall be followed forthwith by letter and shall be deemed to have been received on the third business hour following the dispatch thereof and, if delivered by hand, shall be deemed to have been received on the third business hour following the delivery thereof. If a party to this Agreement wishes to change its address for the purposes of this Section 7.06, it shall do so by written notice to each of





the other party to this Agreement, which notice shall be mailed, telegraphed, telexed or hand delivered in accordance with this Section 7.06.

Notices shall be addressed as follows:

if to Brinco to:           Brinco Limited  
                              20 King Street West  
                              Toronto, Ontario  
                              M5H 1C4  
  
                              Attention: The President  
  
                              Telex No: 065-24689

if to the Company to:   Olympia & York Developments  
                              Limited,  
                              One First Canadian Place,  
                              Toronto, Ontario  
                              M5X 1B5  
  
                              Attention: The Vice-President  
  
                              Telex No: 065-24728

SECTION 7.07 Entire Agreement. This Agreement, including the Schedules hereto, constitutes the entire agreement between the parties hereto. This Agreement may not be amended or modified in any respect except by written instrument signed by the parties.



SECTION 7.08 Announcements. Any announcement with respect to this Agreement shall be made jointly by the parties hereto.

IN WITNESS WHEREOF the parties hereto have executed this Agreement under the hands of their duly authorized officer or officers.

BRINCO LIMITED

By: 

PRESIDENT

c/s

SECRETARY

OLYMPIA & YORK DEVELOPMENTS LIMITED

By: 

Secretary & Senior  
Executive Vice-President c/s





**BRINCO LIMITED**

**OFFICE CONSOLIDATION OF  
MEMORANDUM AND  
ARTICLES OF ASSOCIATION**

**JULY, 1980**



**MEMORANDUM OF ASSOCIATION**  
**OF**  
**BRINCO LIMITED**  
(hereinafter called the "Company")

1. The name of the Company is BRINCO LIMITED.
2. The Registered Office of the Company will be situate in Newfoundland in the City of St. John's.
3. The objects for which the Company is established are:
  - (1) To explore, investigate, develop and process minerals, natural resources and sources of energy and in particular but without limiting the generality of the foregoing, to prospect, examine, report on, obtain options on, acquire, own, possess, control, build, promote, carry on, manage, operate, improve, turn to account, lease, exchange, sell or otherwise dispose of mining, petroleum, timber, energy and other industries utilizing such minerals, natural resources and sources of energy.
  - (2) And without limiting the generality of the foregoing:
    - (a) To purchase, take on lease or otherwise acquire, exchange, sell or otherwise dispose of petroleum, natural gas and other hydrocarbons, mines, minerals, quarries, mining rights, mining lands or any interests therein, mechanical contrivances, patent rights or inventions or the rights to make use thereof, lands and privileges, including coal, oil and gas lands, and any interest therein, mills, smelters, refineries, facilities, plants and relative to the aforesaid, manufacturing, refining, producing, processing, generating, commercial, industrial, mercantile and scientific enterprises, establishments, plants and works of all sorts; to treat and manufacture the products of any or all natural resources and energy sources into merchantable form, articles and things; and to buy, sell and otherwise deal in the products and by-products of all such business;
    - (b) To carry on all operations by which minerals, natural resources and sources of energy may be mined, dug, raised, washed, cradled, smelted, refined, processed, enriched, crushed or treated in any manner; render such minerals, natural resources, sources of energy or any product thereof merchantable by any means whatsoever; and sell or otherwise dispose thereof;
    - (c) To examine, report upon, acquire by purchase, lease, concession, grant, exchange or otherwise and hold, manage, control, develop, improve, operate, lease, sell and dispose of, rights relating to sources of energy, energy power, privileges and appropriations for mining, milling, smelting and refining purposes and for irrigation, agricultural, manufacturing and other uses and purposes; and to construct, acquire, own, manage, operate, improve and dispose of plants for utilizing and turning to account said rights relating to sources of energy and energy power, and for producing, generating, and distributing





electrical and other power and steam, electricity and gas for heating, lighting and other purposes, provided, however, that the production or distribution of electrical or other power or force beyond the property of the Company shall be subject to local and municipal and provincial laws and regulations in that connection;

- (d) To carry on the business of generating and transmitting and selling hydro-electric and other power or energy for light, heat, power and other purposes and to carry on any business in connection with the harnessing and making use of water for the purpose of hydro-electric and hydraulic power;
  - (e) To make, construct, purchase, take on lease or otherwise acquire or deal with roads, railways, and tramways and bridges, reservoirs, canals, water works, electric works, gas works and any other works conducive to the interests of the Company.
- (3) To carry on any other business or activity and do anything of any nature which may seem to the Company capable of being conveniently carried on by the Company, or calculated directly or indirectly to enhance the value of or render more profitable any of the Company's business or property.
  - (4) To acquire for any estate or interest and to take options over, construct and develop any property, real or personal, or rights of any kind which may appear to be necessary or convenient for any business of the Company including shares and other interests in any company the objects of which include the carrying on of any business or activity within the objects of the Company.
  - (5) To enter into any guarantee, contract of indemnity or suretyship and in particular (without prejudice to the generality of the foregoing) to guarantee the payment of any principal moneys, premiums, interest and other moneys, secured by or payable under any obligations or securities and the payment of dividends and premiums on, and the repayment of the capital of, stocks and shares of all kinds and descriptions.
  - (6) To lend money to, or grant or provide credit or financial accommodation to any person or company in any case in which such grant or provision is considered likely directly or indirectly to further any of the objects of the Company or the interests of its Members.
  - (7) To invest any moneys of the Company not immediately required for the purposes of the business of the Company in such investments (other than shares in the Company or its holding company, if any) and in such manner as may from time to time be determined, and to hold, sell or otherwise deal with such investments.
  - (8) To amalgamate with or enter into partnership or any joint purse or profit-sharing arrangement with, or to co-operate or participate in any way with, or assist or subsidize any company or person carrying on or proposing to carry on any business within the objects of the Company.
  - (9) To borrow and raise money and secure or discharge any debt or obligation of or binding on the Company in such manner as may be thought fit, and in particular by mortgages of or charges upon the undertaking and all or any of the real and personal property (present and future), and the uncalled capital of the Company or by the creation and issue of debentures, debenture stock or other obligations or securities of any description.



- (10) To sell, exchange, mortgage, let on rent, share of profit, royalty or otherwise, grant licences, easements, options, servitudes and other rights over and in any other manner deal with or dispose of the undertaking, property, assets, rights and effects of the Company or any part thereof for such consideration as may be thought fit, and in particular for stocks, shares, debentures or other obligations or securities, whether fully or partly paid up, of any other company.
- (11) To give any remuneration or other compensation or reward for services rendered or to be rendered in placing or procuring subscription of, or otherwise assisting in the issue of, any shares, debentures or other securities of the Company or in or about the formation of the Company or the conduct of its business.
- (12) To establish or promote, or concur or participate in establishing or promoting any company the establishment or promotion of which shall be considered desirable in the interests of the Company and to subscribe for, underwrite, purchase or otherwise acquire the shares, stocks and securities of any such company, or of any company carrying on or proposing to carry on any business or activity within the objects of the Company.
- (13) To procure the registration or incorporation of the Company in or under the laws of any place outside Newfoundland.
- (14) To subscribe or guarantee money for any national, charitable, benevolent, public, general or useful object, or for any exhibition, or for any purpose which may be considered likely directly or indirectly to further the objects of the Company or the interests of its Members.
- (15) To grant pensions or gratuities to any officers or employees or ex-officers or ex-employees of the Company, or of its predecessors in business or of its holding company or subsidiary companies (if any), or to the relations, connections or dependents of any such persons, and to establish or support any associations, institutions, clubs, building and housing schemes, funds and trusts which may be considered calculated to benefit any such persons or otherwise advance the interests of the Company or of its Members.
- (16) To act as secretaries, managers, registrars or transfer agents for any other company.
- (17) To distribute any of the property of the Company among its Members in specie or kind.
- (18) To do all or any of the things or matters aforesaid in any part of the world and either as principals, agents, contractors, trustees or otherwise and by or through trustees, agents or otherwise and either alone or in conjunction with others.

And it is hereby declared that the word "company" in this clause, except where used in reference to the Company, shall be deemed to include any partnership or other body of persons, whether incorporated or not incorporated, and whether domiciled in Newfoundland or elsewhere, and that the objects specified in the different paragraphs of this clause shall not, except where the context expressly so requires, be in anyway limited or restricted by reference to or inference from the terms of any other paragraph or the name of the Company, but may be carried out in as full and ample a manner and shall be construed in as wide a sense as if each of the said paragraphs defined the objects of a separate, distinct and independent company.





4. The liability of the Members is limited.

5. The share capital of the Company shall consist of:

- (i) 35,000,000 common shares without nominal or par value (the "Common Shares"); and
- (ii) 10,000,000 preferred shares with a par value of \$5.50 each, issuable in series (the "Preferred Shares"), of which:
  - (a) 2,212,000 shares consist of a series designated as 7% cumulative convertible redeemable retractable preferred shares series A (the "Preferred Shares Series A"); and
  - (b) 2,212,000 shares consist of a series designated as convertible redeemable retractable preferred shares series B (the "Preferred Shares Series B").

The rights, preferences, privileges, restrictions and conditions attaching to the Common Shares, the Preferred Shares, as a class, and the Preferred Shares Series A and the Preferred Shares Series B, as the first two series of the Preferred Shares, are as set forth in the Appendix attached hereto and forming part of this Memorandum of Association.

The Company shall have the power, from time to time, to increase or reduce its capital and to divide the original or any increased capital into several classes, and to attach thereto any preferential, deferred, qualified or other special rights, privileges, restrictions or conditions.



## **A. Preferred Shares**

The Preferred Shares shall as a class have attached thereto the following terms and conditions (collectively the "Preferred Shares Class Provisions"):

### ***Interpretation***

1. (a) The following words and phrases wherever used in these Preferred Shares Class Provisions shall have the following meanings, unless there be something in the context inconsistent therewith:

"Act" means The Companies Act, Revised Statutes of Newfoundland 1970, Chapter 54, as the same may be from time to time amended, re-enacted or replaced.

"Common Shares" means the common shares without nominal or par value of the Company.

"directors" means the board of directors of the Company for the time being and reference without more to action by the directors shall mean action by the directors as a board or by any authorized committee thereof.

"Junior Shares" means the Common Shares and any other class of shares of the Company which ranks after or is subordinated to the Preferred Shares as to payment of dividends and/or as to return of capital.

- (b) Words importing the singular number only shall include the plural and vice versa and words importing the masculine gender shall include the feminine gender and vice versa and words importing persons shall include firms, associations and corporations and vice versa.

### ***Issue in Series***

2. The Preferred Shares may at any time and from time to time be issued in one or more series, each series to consist of such number of shares as may, before issuance thereof, be determined by the directors.

### ***Directors' Determination of Terms and Conditions Attaching to the Preferred Shares***

3. The directors may from time to time by resolution fix before issuance the designation, rights, privileges, preferences, restrictions and conditions to attach to the Preferred Shares of each series including, without limiting or restricting the generality of the foregoing, preferential dividends (if any), the rate, amount or method of calculation of such dividends, whether cumulative, non-cumulative or partially cumulative, the currency or currencies of payment and the date or dates and places of payment thereof; the restrictions, if any, respecting payment of dividends on any Junior Shares; the rights of the Company, if any, to redeem any Preferred Shares of such series, the consideration for and terms and conditions of any such redemption and the restrictions, if any, upon reissue of any Preferred Shares of such series so redeemed; the terms and conditions of any redemption fund or sinking fund or similar fund providing for the redemption of Preferred Shares of such series; the rights of retraction, if any, vested in the holders of Preferred Shares of such series and the prices and other terms and conditions of any rights of retraction; voting rights (if any); conversion or exchange rights (if any) into other shares or securities of the Company and the terms and conditions of any other provisions attaching to the Preferred Shares of such series.





### ***Rateable Participation in Respect of Cumulative Dividends and Return of Capital***

4. When any fixed cumulative dividends or amounts payable on a return of capital are not paid in full, the cumulative Preferred Shares of all series shall participate rateably with all shares if any, ranking on a parity with the Preferred Shares with respect to payment of dividends, in respect of such dividends (but only to the extent of and in those cases where a series of Preferred Shares bears cumulative preferential dividends) including accumulated dividends, if any, in accordance with the sums which would be payable on the cumulative Preferred Shares and such other shares if all such dividends were declared and to be paid in full, and Preferred Shares shall participate equally and rateably with all shares, if any, ranking on a parity with the Preferred Shares with respect to return of capital in respect of any return of capital in accordance with the sums which would be payable on the Preferred Shares and such other shares on such return of capital if all sums so payable were paid in full in accordance with their terms.

### ***Preferences***

5. The Preferred Shares shall, with respect to the payment of accumulated dividends, be entitled to preference over Junior Shares ranking junior to the Preferred Shares as to payment of dividends, and, with respect to the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company or other distribution of assets of the Company, among shareholders for the purpose of winding-up its affairs, whether voluntary or involuntary, be entitled to preference over the Junior Shares ranking junior to the Preferred Shares as to return of capital. Subject as aforesaid and to clause 6 of these Preferred Shares Class Provisions, the Preferred Shares may also be given such other preferences over the Junior Shares as may be determined in the case of each series of Preferred Shares authorized to be issued.

### ***Parity***

6. The Preferred Shares of each series shall rank on a parity with the Preferred Shares of every other series with respect to the payment of dividends (but only to the extent of and in those cases where a series of Preferred Shares bears dividends) and in the distribution of assets of the Company among shareholders for the purpose of winding-up its affairs, whether voluntary or involuntary; provided, however, that in case such assets are insufficient to pay in full the amount due on all the Preferred Shares then outstanding, then such assets shall be applied firstly, to the payment equally and rateably of an amount equal to the capital paid up on the Preferred Shares of each series and the premium thereon, if any, secondly, pro rata to the payment of accrued and unpaid cumulative dividends (if any) and thirdly, pro rata, to the payment of declared and unpaid non-cumulative dividends (if any), as the case may be, in accordance with the provisions of clause 5 of these Preferred Shares Class Provisions mutatis mutandis.

### ***Creation and Issue of Additional Preferred Shares***

7. Nothing herein contained shall require or be deemed to require any sanction from the holders of the Preferred Shares or any of them for the creation of additional preferred shares (other than preferred shares which by their terms rank prior to the Preferred Shares in any respect), provided:
  - (a) that the conditions, if any, set forth in any resolution of the directors with respect to any series of the Preferred Shares shall have been complied with; and
  - (b) that the Company may not, without the sanction of the holders of the Preferred Shares given as hereinafter specified, cause any such additional preferred shares to



rank prior to the Preferred Shares in any respect or, unless such additional preferred shares shall be Preferred Shares, to rank on a parity with the Preferred Shares in all respects,

and it is a term of the issue of any of the Preferred Shares that the holders thereof consent to the creation of any such additional preferred shares.

### ***No Pre-Emptive Right***

8. The holders of the Preferred Shares shall not as such be entitled as of right to subscribe for or purchase or receive any part of any issue of shares or other securities of the Company now or hereafter authorized otherwise than in accordance with the conversion, exchange or other rights if any, which may from time to time attach to any series of the Preferred Shares.

### ***Redemption***

9. Subject to the provisions of the Act and to the provisions relating to the Preferred Shares of any series, the Company may, upon giving notice as hereinafter provided, redeem at any time the whole or from time to time any part of the then outstanding Preferred Shares of any series on payment for each share to be redeemed of the par value thereof together with (i) such premium (if any) determined for that purpose in respect of such series plus, (ii) in the case of cumulative Preferred Shares, an amount equal to all unpaid cumulative dividends (which for such purpose shall be calculated as if such dividends were accruing from day to day for the period from the expiration of the last period for which dividends have been paid up to and including the date of such redemption), and (iii) in the case of non-cumulative Preferred Shares, all declared and unpaid non-cumulative dividends. In case the Company desires to redeem part only of the Preferred Shares of any series, the shares of such series to be redeemed shall be selected by lot in such manner as the directors may determine or, if the directors so determine, may be redeemed pro rata disregarding fractions.

### ***Procedure on Redemption***

10. In any case of redemption of Preferred Shares of any series under the provisions of clause 9 of these Preferred Shares Class Provisions, the Company shall, at least thirty (30) days before the date specified for redemption, mail to each person who at the date of mailing is a registered holder of Preferred Shares of such series to be redeemed a notice in writing of the intention of the Company to redeem such last-mentioned shares. Such notice shall be mailed in an envelope, postage prepaid, addressed to each such shareholder at his address as it appears on the books of the Company or in the event of the address of any such shareholder not so appearing then to the last known address of such shareholder; provided, however, that accidental failure or omission to give any such notice to one (1) or more of such holders shall not affect the validity of such redemption. Such notice shall set out the redemption price and the date on which redemption is to take place and if part only of the Preferred Shares of such series held by the person to whom it is addressed is to be redeemed the number thereof so to be redeemed. On or after the date so specified for redemption the Company shall pay or cause to be paid to or to the order of the registered holders of the Preferred Shares of such series to be redeemed the redemption price thereof on presentation and surrender, at the registered office of the Company or any other place within Canada designated in such notice, of the certificates representing the Preferred Shares of such series so called for redemption. Such payment shall be made by cheques payable at par at any branch of the Company's





bankers for the time being in Canada. If a part only of the Preferred Shares of such series represented by any certificate shall be redeemed, a new certificate for the balance shall be issued at the expense of the Company. From and after the date specified for redemption in any such notice the Preferred Shares of such series called for redemption shall cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the redemption price shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected. The Company may include in any such notice a statement that the moneys required for the payment of the redemption price have been deposited or will be deposited on or before the opening of business on the date specified for redemption or a specified date prior to such date with a specified chartered bank or a specified trust company in Canada in trust for the respective holders of such shares to be paid to them respectively upon surrender to such bank or trust company of the certificate or certificates representing same, or that the Company has set aside such moneys or will be setting aside such moneys on or before the opening of business on the date specified for redemption or a specified date prior to such date in trust for the respective holders of such shares to be paid to them respectively upon surrender to the Company of the certificate or certificates representing the same and upon (i) the giving of such notice, and (ii) such deposit being made or such moneys being set aside, whichever is the later, such shares shall be deemed to be redeemed and all rights of the holders of such shares as against the Company shall be limited to receiving the amount so deposited or set aside without interest and such holders shall cease to be entitled to dividends or any other participation in the assets of the Company and shall not be entitled to exercise any other rights as holders of the Preferred Shares so redeemed.

#### ***Amendments***

11. The provisions of clauses 1 to 12, inclusive hereof, or any of them, may be repealed, altered, modified, amended or amplified only with the sanction of the holders of the Preferred Shares given as hereinafter specified in addition to any other approval required by the Act.

#### ***Sanction by Holders of Preferred Shares***

12. The sanction of holders of the Preferred Shares or of any series of the Preferred Shares as to any and all matters referred to herein or as to any change adversely affecting the rights or privileges of the Preferred Shares or of such series may, subject to the provisions (if any) applicable to such series, be given by resolution passed at a meeting of such holders duly called for such purpose and held upon at least twenty-one (21) days' notice at which the holders of at least a majority of the outstanding Preferred Shares or Preferred Shares of such series, as the case may be, are present or represented by proxy and carried by the affirmative vote of the holders of not less than sixty-six and two-thirds per cent ( $66\frac{2}{3}\%$ ) of the Preferred Shares or Preferred Shares of such series, as the case may be, represented and voted at such meeting cast on a poll. If at any such meeting the holders of a majority of the outstanding Preferred Shares or Preferred Shares of such series, as the case may be, are not present or represented by proxy within half an hour after the time appointed for the meeting then the meeting shall be adjourned to such date being not less than fourteen (14) days later and to such time and place as may be appointed by the chairman and at least ten (10) days' notice shall be given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose



for which the meeting was originally called. At such adjourned meeting the holders of Preferred Shares or Preferred Shares of such series, as the case may be, present or represented by proxy shall constitute a quorum and may transact the business for which the meeting was originally convened and a resolution passed thereat by the affirmative vote of the holders of not less than sixty-six and two-thirds per cent ( $66\frac{2}{3}\%$ ) of the Preferred Shares or Preferred Shares of such series, as the case may be, represented and voted at such adjourned meeting cast on a poll shall constitute the sanction of the holders of Preferred Shares or Preferred Shares of such series referred to in this clause 12. The formalities to be observed with respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those which may from time to time be prescribed in the Memorandum or Articles of Association of the Company with respect to meetings of shareholders. On every poll taken at every such meeting or adjourned meeting every holder of Preferred Shares shall be entitled to one (1) vote in respect of each Preferred Share held.

## **B. Preferred Shares Series A**

The Preferred Shares Series A, in addition to the rights, privileges, preferences, conditions and restrictions attached to the Preferred Shares as a class, shall have attached thereto the following rights, privileges, preferences, conditions and restrictions (collectively the "Preferred Shares Series A Series Provisions"):

### ***Interpretation***

1. (a) The following words and phrases whenever used in these Preferred Shares Series A Series Provisions shall have the following meanings, unless there be something in the context inconsistent therewith:

"Additional Equity Shares" means any Equity Shares issued after May 1, 1979 (including Class A Shares) other than (a) Common Shares issued upon conversions of Preferred Shares Series A or Preferred Shares Series B; (b) Equity Shares issued upon exercise of stock options heretofore or hereafter granted to officers or employees of the Company or of any subsidiary or of any affiliate designated as such by the directors; and (c) Equity Shares issued to any such officers or employees or to a trustee on their behalf pursuant to any stock purchase or analogous plan; provided that a subdivision or consolidation of Equity Shares or a reclassification or change of Equity Shares shall not constitute an issue of Additional Equity Shares.

"Adjusted Consolidated Net Earnings Available for Dividends" means all the gross earnings and income of the Company and all its subsidiaries (if any) from all sources, less all administrative, selling and operating charges and expenses (except such charges and expenses as are chargeable to capital account in accordance with generally accepted accounting principles) of every character of the Company and all its subsidiaries (excluding extraordinary gains or losses on the disposal of investments and fixed assets) arrived at on a consolidated basis in accordance with generally accepted accounting principles; if, at the time of determining Adjusted Consolidated Net Earnings Available for Dividends for any past period in connection with a proposed issue of Preferred Shares or any other shares ranking in priority to or on a parity with the Preferred Shares Series A, the Company or any subsidiary has acquired, is in the process of acquiring, or





proposes to acquire, any property or any shares of any other company (sufficient with any shares of such company already owned by the Company or a subsidiary to result in such other company becoming a subsidiary) and if the net proceeds of the then proposed issue of shares are to be applied directly or indirectly towards the cost of or in reimbursement of the cost of the acquisition of such property or shares (as to all of which a resolution of the board of directors shall be conclusive and binding) then the net earnings or net losses of such property or such other company (calculated in accordance with the provisions herein contained respecting Adjusted Consolidated Net Earnings Available for Dividends) for the whole of the period for which Adjusted Consolidated Net Earnings Available for Dividends are to be computed shall, if in the opinion of the Company's auditors the Company has access to data sufficient to enable such auditors to determine such net earnings or net losses, be treated as net earnings or net losses, as the case may be, in the computation of Adjusted Consolidated Net Earnings Available for Dividends. As at the time of determining Adjusted Consolidated Net Earnings Available for Dividends for any past period in connection with a proposed issue of shares and if the net proceeds of the then proposed issue of shares are to be applied in whole or in part to repay indebtedness of the Company or any subsidiary then the interest paid by the Company or the subsidiary, as the case may be, during the period of time in question with respect to the indebtedness to be repaid shall not be deducted as an expense in the computation of Adjusted Consolidated Net Earnings Available for Dividends and taxes paid or payable shall be appropriately adjusted.

"Amalgamation" means the amalgamation of Conuco Limited, Caballero Exploration Ltd., Canada 91639 Limited and Exalta Petroleum Ltd. pursuant to the terms of a Merger and Amalgamation Agreement made as of the 13th day of June, 1979 between the Company and the foregoing companies.

"business day" shall be a day other than a Saturday, a Sunday or any other day that is treated as a holiday in the municipality where the Company's principal office in Canada is situated.

"Class A Shares" means the Common Shares held by the Company and which are not outstanding and which have been designated by legislation of the Province of Newfoundland as Class A Shares of the Company for so long as such shares are held by the Company and are not outstanding.

"close of business" means the normal closing hour of the principal office in the City of Toronto of the transfer agent for the Preferred Shares Series A.

"Conversion Basis" at any time means the number of Common Shares into which one (1) Preferred Share Series A shall be convertible at such time in accordance with the provisions of clause 3 hereof.

"Effective Date of the Amalgamation" means the date of issuance of the Certificate of Amalgamation by the Registrar of Companies under and pursuant to The Companies Act (Alberta) in respect of the Amalgamation.

"Equity Shares" means the Common Shares as said shares were constituted on May 1, 1979 and shares of any other class or other securities, as the case may be, resulting from the re-classification of such Common Shares as provided in clause 3 hereof.

"Equivalent Conversion Price" at any time means the quotient obtained by dividing the sum of \$5.50 by the Conversion Basis in effect at such time.



**"Market Price":**

- (i) of the Common Shares at any date, means the weighted average of the closing board lot trading prices per share of the Common Shares on The Toronto Stock Exchange (or, if the Common Shares are not listed on The Toronto Stock Exchange, on such stock exchange on which such shares are listed as may be selected for the purpose by the directors) during the twenty (20) most recent trading days on which there have been board lot trades immediately prior to the fourth (4th) day preceding such date. In the event that the Common Shares are not listed on any stock exchange, the Market Price of the Common Shares shall be determined by the directors; and
- (ii) of the Preferred Shares Series A for the purposes of clause 6 hereof, means the weighted average as at the last day of any fiscal year of the Company of the closing board lot trading prices per share of the Preferred Share Series A on The Toronto Stock Exchange (or, if the Preferred Shares Series A are not listed on The Toronto Stock Exchange, on such stock exchange on which such shares are listed as may be selected for the purpose by the directors) during those trading days during the last completed fiscal year of the Company on which there have been board lot trades. In the event that the Preferred Shares Series A are not listed on any stock exchange, the Market Price of the Preferred Shares Series A shall be determined by the directors.

"Preferred Shares Series B" means the convertible retractable preferred shares series B with a par value of \$5.50 each of the Company, being the second series of Preferred Shares.

"Shareholders' Equity" means at any given time an amount equal to the aggregate of retained earnings or deficit and contributed surplus of the Company and its subsidiaries and the amount paid-up on issued and outstanding Preferred Shares, shares of the Company ranking on a parity with or junior to the Preferred Shares and Common Shares of Company, arrived at on a consolidated basis in accordance with generally accepted accounting principles.

"subsidiary company" or "subsidiary" means any corporation or company of which more than fifty per cent (50%) of the outstanding shares carrying voting rights at all times (provided that the ownership of such shares confers the right at all times to elect at least a majority of the board of directors of such corporation or company) are for the time being owned by or held for the Company and/or any other corporation or company in like relation to the Company and includes any corporation or company in like relation to a subsidiary and, in addition, means any other corporation or company the revenue and expense accounts of which may, from time to time, be consolidated by the Company in the revenue and expense accounts forming part of annual financial statements of the Company in accordance with generally accepted accounting principles.

- (b) Clause 1 of the Preferred Shares Class Provisions entitled "Interpretation" is incorporated herein.
- (c) In the event that any date on which any dividends on the Preferred Shares Series A are payable by the Company, or on or by which any other action is required to be taken by the Company under these Preferred Shares Series A Series Provisions is not a business day, then such dividend shall be payable, or such other action shall be required to be taken, on or by the next succeeding day which is a business day.





## **Dividends**

2. The holders of the Preferred Shares Series A shall be entitled to receive, and the Company shall pay thereon, as and when declared by the directors out of the moneys of the Company properly applicable to the payment of dividends, fixed cumulative preferential cash dividends at the rate of 7% per annum on the amounts from time to time paid up thereon, payable quarterly on the last day of March, June, September and December in each year. The initial dividend, if declared, will be payable on December 31, 1979. If on any dividend payment date the dividend payable on such date is not paid in full on all of the Preferred Shares Series A then issued and outstanding, such dividend or the unpaid part thereof shall be paid on a subsequent date or dates to be determined by the directors on which the Company shall have sufficient moneys properly applicable, under the provisions of any applicable law, to the payment of same. Fixed cumulative preferential cash dividends on the Preferred Shares Series A shall accrue from the Effective Date of the Amalgamation. The holders of the Preferred Shares Series A shall not be entitled to any dividend other than or in excess of the cumulative preferential cash dividends hereinbefore provided. Cheques of the Company payable in lawful money of Canada at par at any branch of the Company's bankers for the time being in Canada shall be issued in respect of the said dividends (less any tax required to be deducted) and payment thereof shall satisfy such dividends.

## **Conversion**

3. (a) *Right of Conversion.* The holders of the Preferred Shares Series A shall have the right, at any time and from time to time, up to the close of business on the Retraction Date (as defined in clause 4 of these Preferred Shares Series A Series Provisions), subject as hereinafter provided and to any adjustment to the Conversion Basis as hereinafter provided, to convert all or any of their Preferred Shares Series A into Common Shares, on the basis of 0.55 of a Common Share for each Preferred Share Series A converted. The Company shall send a notice to each holder of Preferred Shares Series A not earlier than one hundred and sixty (160) days and not later than sixty (60) days prior to the Retraction Date advising such holder of the expiration of the right of conversion. Such notice shall be sent in the manner provided for in clause 10 of the Preferred Share Class Provisions.
- (b) *Conversion Procedure.* The conversion right herein provided for may be exercised by notice in writing given to the transfer agent for the time being of the Company for the Preferred Shares Series A at its principal office in the City of Toronto, or at any other city or cities as the Company may from time to time designate, accompanied by the certificate or certificates representing the Preferred Shares Series A in respect of which the holder thereof desires to exercise such right of conversion. Such notice shall be signed by such holder or his duly authorized attorney and shall specify the number of Preferred Shares Series A which the holder desires to have converted. The certificate or certificates for such shares need not be endorsed, except in the circumstances hereinafter contemplated, and the certificates for Common Shares resulting from conversion shall be issued in the name of the registered holder of the Preferred Shares Series A converted or in such name or names as such registered holder may direct in writing (either in the notice referred to above or otherwise), provided that such registered holder shall pay any applicable security transfer taxes. If the certificates for Common Shares resulting from conversion are to be issued in a name other than that of the registered holder of the Preferred Shares Series A, the transfer form on the back of the certificate(s) representing such Preferred Shares Series A shall be endorsed by the registered holder thereof or his duly authorized



attorney, with signature guaranteed in a manner satisfactory to the Company's transfer agent for the Preferred Shares Series A. If less than all the Preferred Shares Series A represented by any certificate or certificates accompanying any such notice are to be converted, the holder shall be entitled to receive, at the expense of the Company, a new certificate representing the Preferred Shares Series A comprised in the certificate or certificates surrendered as aforesaid which are not to be converted.

- (c) *Effect of Redemption.* In the case of any Preferred Shares Series A which may be called for redemption, the right of conversion thereof shall, notwithstanding anything herein contained, cease and terminate at the close of business on the business day immediately preceding the date fixed for redemption, provided, however, that if the Company shall fail to redeem such Preferred Shares Series A in accordance with the notice of redemption the right of conversion shall thereupon be restored.
- (d) *Effective Date of Conversion.* Subject as hereinafter provided in this clause 3, Preferred Shares Series A shall be deemed to have been converted into Common Shares on the respective dates of surrender of certificates representing the Preferred Shares Series A to be converted accompanied by notice in writing as provided in subclause 3(b) hereof, notwithstanding any delay in the delivery of certificates representing the Common Shares into which such Preferred Shares Series A have been converted.
- (e) *Adjustment of Conversion Basis.*
  - (i) If the Company shall declare a dividend or make a distribution on its outstanding Common Shares payable in Common Shares, or shall subdivide its outstanding Common Shares into a greater number of shares, or shall consolidate its outstanding Common Shares into a smaller number of shares (any such event being herein called a "Common Share Reorganization") then the Conversion Basis shall be proportionately adjusted immediately after the record date at which the holders of Common Shares are determined for purposes of the Common Share Reorganization and any holder of Preferred Shares Series A who has not exercised his right of conversion prior to the effective date of such Common Share Reorganization shall be entitled to receive and shall accept, upon the exercise of such right at any time on such effective date or thereafter, in lieu of the number of Common Shares to which he was theretofore entitled upon conversion, the aggregate number of Common Shares of the Company that such holder would have been entitled to receive as a result of such Common Share Reorganization if, on the effective date thereof, he had been the registered holder of the number of Common Shares to which he was theretofore entitled upon conversion.
  - (ii) If there is a capital reorganization of the Company not covered by subclause 3(e)(i) hereof or a consolidation or merger or amalgamation of the Company with or into any other company including by way of a sale whereby all or substantially all of the Company's undertaking and assets would become the property of any other company (any of which is herein called a "Capital Reorganization"), any holder of Preferred Shares Series A who has not exercised his right of conversion prior to the effective date of such Capital Reorganization shall be entitled to receive and shall accept, upon the exercise of such right at any time on the effective date or thereafter, in lieu of the number of Common Shares to which he was theretofore entitled upon conversion, the aggregate number of shares or other securities or property of the Company or of the company result-





ing from or purchasing under the Capital Reorganization, that such holder would have been entitled to receive as a result of such Capital Reorganization if, on the effective date thereof, he had been the registered holder of the number of Common Shares to which he was theretofore entitled upon conversion; provided that no such Capital Reorganization shall be carried into effect unless, in the opinion of the directors, all necessary steps shall have been taken to ensure that the holders of the Preferred Shares Series A shall thereafter be entitled to receive such number of shares or other securities or property of the Company or of the company resulting from or purchasing under the Capital Reorganization, subject to adjustment thereafter in accordance with provisions similar, as nearly as may be, to those contained in this clause 3.

- (iii) If the Company shall issue options, rights or warrants to holders of its outstanding Common Shares under which such holders are entitled to subscribe for or purchase Additional Equity Shares at a subscription or purchase price per share less than the Market Price in effect on the record date for such issue (any such event being herein called a "Rights Offering"), then the Conversion Basis shall be adjusted immediately after the record date at which the holders of Common Shares are determined for the purpose of the Rights Offering by dividing into \$5.50 the adjusted Equivalent Conversion Price determined by multiplying the Equivalent Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date plus a number determined by dividing the aggregate subscription price of the total number of Additional Equity Shares offered for subscription or purchase under the Rights Offering by the Market Price on such record date and of which the denominator shall be the total number of Common Shares outstanding on such record date plus the total number of Additional Equity Shares offered for subscription or purchase. The resulting quotient, adjusted to the nearest 1/100th, shall thereafter be the Conversion Basis until further adjusted as provided in this clause 3. If at the date of expiry of the options, rights or warrants less than all of them have been exercised so that less than all of the Equity Shares issuable with respect thereto have been issued, then the Conversion Basis shall be re-adjusted immediately after the date of expiry to the Conversion Basis which would have been in effect on such date of expiry if the only options, rights or warrants issued had been those that were exercised.
- (iv) If the Company shall at any time or from time to time in any manner issue or sell any shares or securities convertible into or exchangeable for Common Shares (such convertible or exchangeable shares or securities being herein called "Convertible Securities"), whether or not the rights to exchange or convert the same are immediately exercisable, and the price per share for which Common Shares are issuable upon such conversion or exchange (determined by dividing (a) the total amount received or receivable by the Company as consideration for the issue of such Convertible Securities plus the minimum aggregate amount of additional consideration, if any, payable to the Company upon the conversion or exchange of all such Convertible Securities, by (b) the total maximum number of Common Shares issuable upon the conversion or exchange of all such Convertible Securities) shall be less than the Market Price in effect immediately prior to the time of such issue or sale of Convertible Securities (any such event being herein called an "Issue of Convertible Securities"), then the Conversion Basis shall be adjusted immediately after such issue or sale by dividing into \$5.50 the



adjusted Equivalent Conversion Price determined by multiplying the Equivalent Conversion Price in effect at such time by a fraction, of which the numerator shall be the total number of Common Shares outstanding at such date plus a number determined by dividing the aggregate issue or sale price of the total number of Common Shares issuable upon the conversion or exchange of all such Convertible Securities by the Market Price on the date of such issue or sale and of which the denominator shall be the total number of Common Shares outstanding on the date of such issue or sale plus the total number of Common Shares issuable upon such conversion or exchange. The resulting quotient, adjusted to the nearest 1/100th, shall thereafter be the Conversion Basis until further adjusted as provided in this clause 3. If, at the date of expiry of any conversion or exchange rights of or appertaining to any Convertible Securities, less than all of the Convertible Securities have been converted or exchanged so that less than all of the Common Shares issuable with respect thereto have been issued, then the Conversion Basis shall be re-adjusted immediately after such date of expiry to the Conversion Basis which would have been in effect on such date of expiry if the only Convertible Securities issued or sold had been those that were converted or exchanged. For the purposes of this subclause 3(e)(iv), Convertible Securities shall be deemed to be issued on the date on which the Company enters into an enforceable agreement to issue such Convertible Securities.

- (v) If the Company shall at any time or from time to time issue or sell Additional Equity Shares, other than pursuant to the exercise of a conversion or exchange right attaching to a Convertible Security, at a price per share less than the Market Price in effect on the date of such issue or sale and such issue or sale does not constitute a Common Share Reorganization, a Capital Reorganization or a Rights Offering (any such event being herein called a "New Issue"), then the Conversion Basis shall be adjusted immediately after the date of such issue or sale by dividing into \$5.50 the adjusted Equivalent Conversion Price determined by multiplying the Equivalent Conversion Price in effect on the date of issue or sale by a fraction, of which the numerator shall be the total number of Common Shares outstanding on the date of issue or sale plus a number determined by dividing the aggregate of the subscription price of the total number of Additional Equity Shares so issued or sold by the Market Price on the date of issue or sale and of which the denominator shall be the total number of Common Shares outstanding on the date of such issue or sale plus the total number of Additional Equity Shares issued or sold. The resulting quotient, adjusted to the nearest 1/100th, shall thereafter be the Conversion Basis until further adjusted as provided in this clause 3. For the purposes of this subclause 3(e)(v), Additional Equity Shares shall be deemed to be issued on the date on which the Company enters into an enforceable agreement to issue such Additional Equity Shares.
- (vi) If the Company shall issue or distribute to the holders of its outstanding Common Shares, shares of any class other than Common Shares, or options, rights or warrants, or evidences of indebtedness or any other assets (apart from cash) and such issuance or distribution does not constitute a Common Share Reorganization, a Capital Reorganization, a Rights Offering, an Issue of Convertible Securities or a New Issue (any such event being herein called a "Special Distribution"), then the Conversion Basis shall be adjusted immediately after the record date at which the holders of Common Shares are determined for purposes of the





Special Distribution by dividing into \$5.50 the adjusted Equivalent Conversion Price determined by multiplying the Equivalent Conversion Price in effect on the record date by a fraction, of which the numerator shall be a number determined by multiplying the total number of Common Shares outstanding on such record date by the Market Price on such date and deducting from the amount so obtained the aggregate fair market value, as determined by the directors, of the shares, options, rights, warrants, evidences of indebtedness or other assets distributed in the Special Distribution and of which the denominator shall be the total number of Common Shares outstanding on such record date multiplied by the Market Price on such record date (provided that no such adjustment shall be made if the result of such adjustment would be to decrease the Conversion Basis in effect immediately before such record date). The resulting quotient, adjusted to the nearest 1/100th, shall thereafter be the Conversion Basis until further adjusted as provided in this clause 3.

(vii) if any re-classification or other change shall be made in the outstanding Common Shares, which re-classification or other change does not constitute a Common Share Reorganization or a Capital Reorganization, then the Conversion Basis shall be adjusted in such manner as the auditors of the Company determine to be appropriate.

(f) *Conversion Adjustment Rules.* The following rules and procedures shall be applicable to Conversion Basis adjustments made pursuant to subclause 3(e) hereof:

- (i) any Common Shares (which for all purposes of this subsection (i) shall include Class A Shares) owned by or held for the account of the Company shall be deemed not to be outstanding but, for the purposes of this subsection (i), any Common Shares owned by a pension plan for employees of the Company or its subsidiaries shall not be considered to be owned by or held for the account of the Company;
- (ii) in the case of any issue by the Company of Additional Equity Shares for cash, the consideration received by the Company therefor shall be deemed to be the amount of cash received by the Company for such Additional Equity Shares before deducting therefrom the amount of any commission, discount or other expenses which have been paid or incurred by the Company for any underwriting of, or otherwise in connection with, the issuance or sale of such Additional Equity Shares;
- (iii) if the purchase price provided for in any Rights Offering referred to in subclause 3(e)(iii) is decreased, or the rate at which any Convertible Securities referred to in subclause 3(e)(iv) are convertible into or exchangeable for Common Shares is increased, the Conversion Basis shall forthwith be changed so as to increase the Conversion Basis to such Conversion Basis as would have obtained had the adjustment made upon the issuance of such Rights Offering or Convertible Securities been made upon the basis of such purchase price as so decreased or such rate as so increased, provided that the provisions of this subsection (iii) shall not apply to any such increase or decrease resulting from provisions in any such Rights Offering or Convertible Securities designed to prevent dilution if such increase or decrease shall not have been proportionately greater than the increase, if any, in the Conversion Basis to be made at the same time pursuant to the provisions of this clause 3;



- (iv) no adjustment in the Conversion Basis shall be required unless a decrease of at least one per cent (1%) in the prevailing Equivalent Conversion Price would result, provided, however, that any adjustment which, except for the provisions of this subsection (iv) would otherwise have been required to be made, shall be carried forward and taken into account in any subsequent adjustment;
  - (v) if any question shall at any time arise with respect to adjustments in the Conversion Basis, such question shall be conclusively determined by the auditors of the Company and any such determination shall be binding upon the Company and all transfer agents and all shareholders of the Company;
  - (vi) forthwith after any adjustment in the Conversion Basis pursuant to the foregoing subclause 3(e), the Company shall file with the transfer agent of the Company for the Preferred Shares Series A, a certificate certifying as to the amount of such adjustment and, in reasonable detail, the event requiring and the manner of computing such adjustment; the Company shall also at such time give written notice to the registered holders of Preferred Shares Series A of the Conversion Basis and the Equivalent Conversion Price following such adjustment and clause 10 of the Preferred Share Class Provisions with respect to the giving of notice of redemption shall apply mutatis mutandis to the giving of such notice; and
  - (vii) in the case of a New Issue for consideration other than cash, the adjustment required by subclause 3(e)(v) hereof shall be based on the fair market value of such consideration, as determined by the directors.
- (g) *Entitlement to Dividends.* A holder of Preferred Shares Series A on the record date for any dividend declared payable on such share will be entitled to such dividend notwithstanding that such share is converted after such record date and before the payment date of such dividend, and the registered holder of any Common Share resulting from any conversion shall be entitled to rank equally with the registered holders of all other Common Shares in respect of all dividends declared payable to holders of Common Shares of record on any date after the date of conversion. Subject as aforesaid, no payment or adjustment will be made on account of any dividend, accrued or otherwise, on the Preferred Shares Series A converted or the Common Shares resulting from any conversion.
- (h) *Notice of Certain Events.* If the Company intends to fix a record date for any Common Share Reorganization (other than the subdivision of outstanding Common Shares into a greater number of shares or the consolidation of outstanding Common Shares into a smaller number of shares) or for any Capital Reorganization or for any Rights Offering or Special Distribution, the Company shall, not less than twenty-one (21) days prior to such record date, notify each registered holder of Preferred Shares Series A of such intention by written notice to the extent that such particulars have been determined at the time of giving the notice and the provisions of clause 10 of the Preferred Shares Class Provisions with respect to the giving of notice of redemption shall apply mutatis mutandis to the giving of such notice.
- (i) *Avoidance of Fractional Shares.* In any case where a fraction of a Common Share would otherwise be issuable on conversion of one (1) or more Preferred Shares Series A, the Company shall adjust such fractional interest by the payment by cheque of an amount equal to the then current market value of such fractional interest computed on the basis of the last board lot sale price (or the last bid price if there had been no board lot sale) for the Common Shares on The Toronto Stock





Exchange (or, if the Common Shares are not listed on The Toronto Stock Exchange, on such stock exchange on which such shares are listed as may be selected for such purpose by the directors) next preceding the date of such surrender. In the event that the Common Shares are not listed on any stock exchange, the current market value of such fractional interest shall be determined by the directors.

- (j) *Postponement of Issuance of Shares upon Conversion.* In any case where the application of the foregoing provisions results in an increase of the Conversion Basis taking effect immediately after the record date for a specific event, if any Preferred Shares Series A are converted after that record date and prior to completion of the event, the Company may postpone the issuance to the holder of the additional Common Shares to which he is entitled by reason of the increase of the Conversion Basis but such additional Common Shares shall be so issued and delivered to that holder upon completion of the event and the Company shall deliver to the holder an appropriate instrument evidencing his right to receive such additional Common Shares.
- (k) *Reservation of Common Shares.* The Company covenants and agrees that, so long as any of the Preferred Shares Series A are outstanding and entitled to the right of conversion herein provided, it will at all times reserve and hold out of its unissued Common Shares a sufficient number of unissued Common Shares to enable all of the Preferred Shares Series A outstanding to be converted upon the basis and upon the terms and conditions herein provided in this clause 3; provided that nothing herein contained shall affect or restrict the right of the Company to increase the number of its Common Shares in accordance with the Act nor to issue such Common Shares from time to time.

#### ***Retraction Privilege***

- 4. The Company shall once during the one hundred and sixty (160) day period ending on the date (the "Retraction Date") being the fifth (5th) anniversary of the Effective Date of the Amalgamation, unless all the Preferred Shares Series A shall have theretofore been converted, redeemed or otherwise retired, invite tenders from all holders of the Preferred Shares Series A for the redemption of all such shares by the Company at a price equal to \$5.50 per share plus accrued and unpaid cumulative preferential dividends (the "Retraction Price") (the date of such initial invitation and any other subsequent date herein provided on which the Company invites tenders from the holders of such Preferred Shares Series A for the redemption of such shares as herein provided being hereinafter called the "Invitation Date") and, subject as hereinafter provided, shall accept all such tenders received by it prior to the expiry of a period to be specified by the Company in such invitation (which period shall not be less than ninety (90) days from the date such invitation was mailed to the holders of Preferred Shares Series A but which shall not expire in any event before the thirtieth (30th) day after the Retraction Date), the date of the expiry of such period being hereinafter called the "Termination Date" and, subject as hereinafter provided, give written notice to each holder of a Preferred Share Series A making such tender reasonably promptly after receipt of the same that the same has been accepted by the Company and that payment of the Retraction Price of the Preferred Shares Series A so tendered will be made upon surrender of the certificates therefor (all of the foregoing being hereinafter called the "Retraction Privilege"). If such invitation is made not later than the sixtieth (60th) day prior to the Retraction Date, it may, but need not, include notice of the expiration of the right of conversion required to be given pursuant to subclause 3(a) of these Preferred Shares Series A Series Provisions.



The Company shall only be obliged to redeem Preferred Shares Series A pursuant to the Retraction Privilege if and so long as such redemption would not be contrary to any applicable law. If at the Invitation Date, the Company believes that it would not be permitted by any applicable law to redeem all of the Preferred Shares Series A outstanding as at such date, the Company shall include in the invitation mailed to holders of the Preferred Shares Series A notice of the maximum number of Preferred Shares Series A which it then believes it will be permitted to redeem if tendered, provided that if the Company has acted in good faith the Company shall have no liability in the event that such belief proves inaccurate. If such redemption of all or any portion of the Preferred Shares Series A would be contrary to applicable law, the Company shall only be obliged to redeem to the extent that the moneys applied thereto shall be such amount (rounded to the next lower multiple of \$5,000), as would not be contrary to such law. In such case, the Company shall redeem from each holder of tendered Preferred Shares Series A that number of whole Preferred Shares Series A that may be redeemed out of his pro rata share of the Retraction Price available as aforesaid and shall issue and deliver to him a new share certificate, at the expense of the Company, representing the Preferred Shares Series A not redeemed by the Company.

If a holder of Preferred Shares Series A wishes to tender only a part of the shares represented by any certificate, the holder may deposit the certificate representing such shares and at the same time advise the Company in writing as to the number of Preferred Shares Series A with respect to which his tender is being made and, if he does so, the Company shall issue and deliver to such holder, at the expense of the Company, a new share certificate representing the Preferred Shares Series A which are not being tendered.

If the Company, in its invitation for tenders, gives notice of a maximum number of shares which it then believes it will be permitted to redeem if tendered, or fails to redeem all of the Preferred Shares Series A duly tendered in accordance with the aforesaid Retraction Privilege, or any retraction privilege provided for in this paragraph, the holders of the Preferred Shares Series A shall be entitled to a further retraction privilege for which (x) the Invitation Date shall be such date after the time that the Company is no longer prevented by provisions of applicable law from redeeming the lesser of (i) the Preferred Shares Series A then outstanding, or (ii) 15,000 Preferred Shares Series A, as it is reasonably feasible for the Company to make an invitation for tenders in this regard and (y) the Retraction Date shall be the next succeeding date on which cumulative dividends on the Preferred Shares Series A are payable, which date is not less than eighty (80) days after the said Invitation Date.

### ***Optional Redemption and Restrictions Thereon***

5. The Company may not redeem the Preferred Shares Series A, or any of them, on or before the last day of the thirtieth (30th) month from the Effective Date of the Amalgamation. Thereafter, but only in the event that the trading price of the Common Shares (as hereinafter defined) as of the date on which the notice of redemption hereinafter referred to is given is not less than one hundred and fifty per cent (150%) of the Equivalent Conversion Price then in effect, the Company may, subject to the provisions of the Act and upon giving notice as provided in this clause 5, redeem at any time the whole, or subject to the provisions of clause 8 of these Preferred Shares Series A Series Provisions, from time to time any part of the then outstanding Preferred Shares Series A on payment for each share to be redeemed of the par value thereof together with all accrued and unpaid cumulative preferential dividends thereon, which for such purpose shall be calculated as





if such dividends were accruing on a day to day basis for the period from the expiration of the last period for which dividends thereon have been paid up to the date of such redemption (such price, including accrued and unpaid dividends, at which Preferred Shares Series A may be redeemed at any given time pursuant to this clause 5 and to clause 6 of these Preferred Shares Series A Series Provisions being hereinafter called the "Redemption Price").

For purposes of this clause 5, "trading price" means the Market Price as in these Preferred Shares Series A Series Provisions defined; provided that if the number of Common Shares traded during the period of time required for the determination of the Market Price is less than 100,000, such period of time shall be increased to include that number of trading days during which not less than 100,000 Common Shares have traded.

The Company, on the date on which such notice of redemption is given, shall file with its transfer agent for the Preferred Shares Series A a certificate certifying as to the Equivalent Conversion Price then in effect.

Notice of any redemption of Preferred Shares Series A shall be given by the Company in the manner set forth in clause 10 of the Preferred Share Class Provisions.

On or after the date so specified for redemption, the Company shall pay or cause to be paid to or to the order of the registered holders of Preferred Shares Series A to be redeemed the Redemption Price in the manner set forth in clause 10 of the Preferred Shares Class Provisions.

#### ***Redemption under Certain Circumstances***

6. Notwithstanding the provisions of the foregoing clause 5 but subject to the provisions hereinafter set out and to the provisions of the Act, in the event that the Market Price of the Preferred Shares Series A calculated as at the last day of any fiscal year of the Company (the "fiscal year end") is less than the par value thereof, the Company shall, within thirty (30) days of such fiscal year end, invite tenders from all holders of Preferred Shares Series A for the pro rata redemption (disregarding fractions) of up to five per cent (5%) (the "Maximum Number") of the total number of such shares issued by the Company at any time up to and including December 22, 1979 (such total number of shares being hereinafter in these Preferred Shares Series A Series Provisions referred to as the "Original Outstanding Preferred Shares Series A") at a price per share equal to the Redemption Price (the date of such invitation being hereinafter called the "Invitation Date") and, subject as hereinafter provided, shall accept on a pro rata basis (disregarding fractions) up to the Maximum Number, all such tenders received by it prior to the expiry of a period to be specified by the Company in such invitation (which period shall not be less than thirty (30) days from the date such invitation was mailed to the holders of Preferred Shares Series A) and, subject as hereinafter provided, shall give written notice to each holder of a Preferred Share Series A making such tender reasonably promptly after receipt of the same that such tender has been accepted by the Company and that payment of the Redemption Price of the Preferred Shares Series A so tendered will be made upon surrender of the certificate thereof (all of the foregoing being hereinafter called the "Mandatory Redemption Privilege").

The Company shall only be obliged to redeem Preferred Shares Series A pursuant to the Mandatory Redemption Privilege if and so long as such redemption would not be contrary to any applicable law. If at the Invitation Date, the Company believes that it would not be permitted by any applicable law to redeem the Maximum Number of the



Preferred Shares Series A outstanding as at such date, the Company shall include in the invitation mailed to holders of the Preferred Shares Series A notice of the total number of Preferred Shares Series A which it then believes that it will be permitted to redeem if tendered, provided that if the Company has acted in good faith the Company shall have no liability in the event that such belief proves inaccurate. If such redemption of the Maximum Number of the Preferred Shares Series A or any portion thereof would be contrary to applicable law, the Company shall only be obliged to redeem to the extent that the moneys applied thereto shall be such amount (rounded to the next lower multiple of \$5,000) as would not be contrary to such law. In such case, the Company shall redeem from each holder of tendered Preferred Shares Series A that number of whole Preferred Shares Series A that may be redeemed out of his pro rata share of the Redemption Price available as aforesaid and shall issue and deliver to him a new share certificate, at the expense of the Company, representing the Preferred Shares Series A not redeemed by the Company.

If a holder of Preferred Shares Series A wishes to tender only a part of the shares represented by any certificate pursuant to the Mandatory Redemption Price, such holder may deposit the certificate representing such shares and at the same time advise the Company in writing as to the number of Preferred Shares Series A with respect to which his tender is being made and, if he does so, the Company shall issue and deliver to such holder, at the expense of the Company, a new share certificate representing the Preferred Shares Series A which are not being tendered. Furthermore, if pursuant to the Mandatory Redemption Privilege, a part only of the Preferred Shares Series A represented by any certificate is redeemed a new certificate for the balance will be issued and delivered by the Company to the holder of Preferred Shares Series A at the expense of the Company.

#### ***Restoration to Class on Redemption or Conversion***

7. Any Preferred Shares Series A which are redeemed or converted as herein provided shall, upon compliance with any applicable provisions of the Act, be therefrom restored to the status of authorized but unissued Preferred Shares not included in any series of Preferred Shares.

#### ***Restrictions on the Payment of Dividends and on Retirement of Shares***

8. So long as any of the Preferred Shares Series A are outstanding, the Company shall not, without the prior approval of the holders of such Preferred Shares Series A:
  - (i) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares ranking junior to the Preferred Shares Series A in all respects) or make any other distribution on the shares ranking junior to the Preferred Shares Series A with respect to repayment of capital or payment of dividends,
  - (ii) call for redemption or reduce or otherwise retire for value any Common Shares or any other shares of any class ranking on a parity with or junior to the Preferred Shares Series A with respect to repayment of capital or payment of dividends (except out of the net cash proceeds of an issue of shares ranking junior to the Preferred Shares Series A in all respects made within the sixty (60) days preceding such call for redemption or reduction), or
  - (iii) call for redemption, otherwise than pursuant to clauses 4 and 6 of these Preferred Shares Series A Series Provisions, less than all of the Preferred Shares Series A then outstanding;





unless, in each case, all dividends up to and including the dividend payable for the last completed period for which such dividends shall be payable on the Preferred Shares Series A then outstanding shall have been declared and paid or set apart for payment at the date of such action.

### ***Restrictions on Creation of Equal or Prior Ranking Shares***

9. For the purposes of this clause 9, the directors of the Company may from time to time determine the Adjusted Consolidated Net Earnings Available for Dividends and/or Shareholders' Equity as at a date not more than one hundred and eighty (180) days prior to the making of such determination and may determine such Adjusted Consolidated Net Earnings Available for Dividends and/or Shareholders' Equity to be not less than a stated amount without determining the exact amount thereof; in making any such determination the directors shall consider and may rely on the last available audited consolidated balance sheet or statement of earnings of the Company and its subsidiaries and/or the last available audited balance sheet or statement of earnings of the Company reported on by the Company's auditors and may consider and rely on the last available unaudited consolidated balance sheet or statement of earnings of the Company and its subsidiaries and/or the last available unaudited balance sheet or statement of earnings of the Company prepared by the accounting officers of the Company and upon any other financial statement, report or other data which they may consider reliable and upon the last available independent property valuation provided that the directors shall not make any such determination on the basis of any such balance sheet, statement, report, valuation or other data if to their knowledge any event has happened which would materially and adversely affect such Adjusted Consolidated Net Earnings Available for Dividends and/or Shareholders' Equity as determined on such basis; upon any such determination having been made by the directors under the provisions hereof the Adjusted Consolidated Net Earnings Available for Dividends and/or Shareholders' Equity of the Company and its subsidiaries as at any date within a period of one hundred and eighty (180) days following the date as of which such determination is made (unless any further determination of such Adjusted Consolidated Net Earnings Available for Dividends and/or Shareholders' Equity is so made within such period) shall be conclusively deemed to be not less than the amount stated in such determination and such determination shall be conclusive and binding on the Company and the holders of shares of every class.

So long as any of the Preferred Shares Series A are outstanding the Company shall not issue any other Preferred Shares or any share of any other class ranking in any respect prior to or on a parity with the Preferred Shares Series A unless, in either case: (i) Adjusted Consolidated Net Earnings Available for Dividends for any twelve (12) consecutive months of the eighteen (18) calendar months immediately preceding the date of issue of such shares shall have been at least equal to two (2) times the annual dividend requirements on all Preferred Shares and other such shares ranking prior to or on a parity with the Preferred Shares Series A to be outstanding immediately after such issue; and (ii) Shareholders' Equity as at a date not more than one hundred and eighty (180) days prior to such issue, shall be at least equal to one and one-half (1½) times the aggregate par value of all Preferred Shares and other shares of the Company ranking in priority to or on a parity with the Preferred Shares Series A to be outstanding immediately after such issue; provided that any of such shares which have been duly called for redemption and for the redemption of which adequate provision has been made assuring that such shares shall be redeemed within thirty-five (35) days thereafter shall be considered to have been redeemed for the purpose of this clause 9.



### ***Liquidation, Dissolution or Winding-up***

10. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs, the holders of the Preferred Shares Series A shall be entitled to receive the amount paid up on such shares together with all accrued and unpaid cumulative preferential dividends thereon, which for such purpose shall be calculated as if such dividends were accruing on a day to day basis for the period from the expiration of the last period for which dividends thereon have been paid up to the date of such event, the whole before any amount shall be paid or payable or assets of the Company shall be distributed to the holders of the Common Shares or to the holders of any other shares ranking junior to the Preferred Shares Series A with respect to payment of capital. After payment to the holders of the Preferred Shares Series A of the amount so payable to them they shall not be entitled to share in any further distribution of the assets of the Company.

### ***Voting***

11. The holders of the Preferred Shares Series A shall be entitled to receive notice of, and to attend and, either in person or by proxy, vote at (on the basis of that number of votes for each Preferred Share Series A equal to the Conversion Basis then in effect) all meetings of the shareholders of the Company other than separate meetings of the holders of shares of another series or class of shares of the Company.

### ***Election of Directors***

12. The holders of Preferred Shares Series A shall be entitled, voting separately and exclusively as a class, for so long as at least ten per cent (10%) of the Original Outstanding Preferred Shares Series A remain outstanding, to elect two (2) directors of the total number of the directors of the Company. Any vacancy occurring among members of the board elected to represent the holders of the Preferred Shares Series A may be filled by the board with the consent and approval of the remaining director elected to represent the holders of Preferred Shares Series A. Whether or not such vacancy is so filled by the board, when there are not two (2) directors in office who have been elected to represent the holders of Preferred Shares Series A by such holders, the holders of record of at least one-tenth (1/10th) of the outstanding Preferred Shares Series A shall have the right to require the Secretary of the Company to call a meeting of the holders of the Preferred Shares Series A for the purpose of filling such vacancy or vacancies or replacing any person filling such vacancy or vacancies who has been appointed by the directors. In default of the calling of such meeting by the Secretary within (5) days after the making of such request, it may be called by any holder or holders of record of outstanding Preferred Shares Series A. Any such meeting shall be called in accordance with the provisions for the calling of any extraordinary meeting of shareholders of the Company as may be provided in the Company's Memorandum and Articles of Association.

### ***Notices***

13. Unless otherwise specifically provided herein or in the Preferred Shares Class Provisions, any notice, cheque, invitation for tenders or other communication from the Company provided for in the Preferred Shares Series A Series Provisions shall be sent to the holders of the Preferred Shares Series A by ordinary unregistered mail, postage prepaid, at their respective addresses appearing on the books of the Company or, in the event of the address of any such holder not so appearing then at the last known address of such





holder. Accidental failure to give any such notice, invitation for tenders or other communication to one or more holders of the Preferred Shares Series A shall not affect the validity thereof, but, upon such failure being discovered, the notice, invitation for tenders or other communication, as the case may be, shall be sent forthwith to such holder or holders and shall have the same effect as if given in due time.

### ***Amendments***

14. The provisions of clauses 1 to 15, inclusive, of these Preferred Shares Series A Series Provisions, or any of them, may be repealed, altered, modified, amended or amplified only with the sanction of the holders of the Preferred Shares Series A given as hereinafter specified in addition to any other approval required by the Act.

### ***Sanction by Holders of Preferred Shares Series A***

15. The sanction of holders of the Preferred Shares Series A as to any and all matters referred to herein or as to any change adversely affecting the rights or privileges of the Preferred Shares Series A may be given and shall be deemed to have been sufficiently given if given by the holders of the Preferred Shares Series A in the manner provided in clause 12 of the Preferred Shares Class Provisions, which provisions shall apply mutatis mutandis as though the term "Preferred Shares Series A" were used in such clause in place of the term "Preferred Shares".

### ***C. Preferred Shares Series B***

The Preferred Shares Series B, in addition to the rights, privileges, preferences, conditions and restrictions attached to the Preferred Shares as a class, shall have attached thereto the following rights, privileges, preferences, restrictions and conditions (collectively the "Preferred Shares Series B Series Provisions"):

### ***Interpretation***

1. (a) The following words and phrases whenever used in these Preferred Shares Series B Series Provisions shall have the following meanings unless there be something in the context inconsistent therewith:

"Additional Equity Shares" means any Equity Shares issued after May 1, 1979 (including Class A Shares) other than (a) Common Shares issued upon conversions of Preferred Shares Series B or Preferred Shares Series A; (b) Equity Shares issued upon exercise of stock options heretofore or hereafter granted to officers or employees of the Company or of any subsidiary or of any affiliate designated as such by the directors; and (c) Equity Shares issued to any such officers or employees or to a trustee on their behalf pursuant to any stock purchase or analogous plan; provided that a subdivision or consolidation of Equity Shares or a reclassification or change of Equity Shares shall not constitute an issue of Additional Equity Shares.

"Amalgamation" means the amalgamation of Conuco Limited, Caballero Exploration Ltd., Canada 91639 Limited and Exalta Petroleum Ltd. pursuant to the terms of a Merger and Amalgamation Agreement made as of the 13th day of June, 1979 between the Company and the foregoing companies.

"business day" shall be a day other than a Saturday, or Sunday or any other day that is treated as a holiday in the municipality where the Company's principal office in Canada is situated.



"Class A Shares" means the Common Shares held by the Company and which are not outstanding and which have been designated by legislation of the Province of Newfoundland as Class A Shares of the Company for so long as such shares are held by the Company and are not outstanding.

"close of business" means the normal closing hour of the principal office in the City of Toronto of the transfer agent for the Preferred Shares Series B.

"Conversion Basis" at any time means the number of Common Shares into which one (1) Preferred Share Series B shall be convertible at such time in accordance with the provisions of clause 2 hereof.

"Effective Date of the Amalgamation" means the date of issuance of the Certificate of Amalgamation by the Registrar of Companies under and pursuant to The Companies Act (Alberta) in respect of the Amalgamation.

"Equity Shares" means the Common Shares as said shares were constituted on May 1, 1979 and shares of any other class or other securities, as the case may be, resulting from the re-classification of such Common Shares as provided in clause 2 hereof.

"Equivalent Conversion Price" at any time means the quotient obtained by dividing the sum of \$5.50 by the Conversion Basis in effect at such time.

"Market Price" of the Common Shares at any date, means the weighted average of the closing board lot trading prices per share of the Common Shares on The Toronto Stock Exchange (or, if the Common Shares are not listed on The Toronto Stock Exchange, on such stock exchange on which such shares are listed as may be selected for the purpose by the directors) during the twenty (20) most recent trading days on which there have been board lot trades immediately prior to the fourth (4th) day preceding such date. In the event that the Common Shares are not listed on any stock exchange, the Market Price of the Common Shares shall be determined by the directors.

"Preferred Shares Series A" means the 7% cumulative convertible redeemable retractable preferred shares series A with a par value of \$5.50 each of the Company, being the first series of Preferred Shares.

"Shareholders' Equity" means at any given time an amount equal to the aggregate of retained earnings or deficit and contributed surplus of the Company and its subsidiaries and the amount paid-up on issued and outstanding Preferred Shares, shares of the Company ranking on a parity with or junior to the Preferred Shares and Common Shares of the Company, arrived at on a consolidated basis in accordance with generally accepted accounting principles.

"subsidiary company" or "subsidiary" means any corporation or company of which more than fifty per cent (50%) of the outstanding shares carrying voting rights at all times (provided that the ownership of such shares confers the right at all times to elect at least a majority of the board of directors of such corporation or company) are for the time being owned by or held for the Company and/or any other corporation or company in like relation to the Company and includes any corporation or company in like relation to a subsidiary and, in addition, means any other corporation or company the revenue and expense accounts of which may, from time to time, be consolidated by the Company in the revenue and expense accounts forming part of annual financial statements of the Company in accordance with generally accepted accounting principles.





- (b) Clause 1 of the Preferred Shares Class Provisions entitled "Interpretation" is incorporated herein.
- (c) In the event that any date by which any action is required to be taken by the Company under these Preferred Shares Series B Series Provisions is not a business day, then such action shall be required to be taken on or by the next succeeding day which is a business day.

### **Conversion**

- 2. (a) *Right of Conversion.* The holders of the Preferred Shares Series B shall have the right, at any time and from time to time, up to but not after the close of business on the Termination Date (as defined in clause 3 of these Preferred Shares Series B Series Provisions), subject to any adjustment to the Conversion Basis as hereinafter provided, to convert all or any of their Preferred Shares Series B into Common Shares on the basis of 0.55 of a Common Share for each Preferred Share Series B converted.
- (b) *Conversion Procedure.* The conversion right herein provided for may be exercised by notice in writing given to the transfer agent for the time being of the Company for the Preferred Shares Series B at its principal office in the City of Toronto, or at any other city or cities as the Company may from time to time designate, accompanied by the certificate or certificates representing the Preferred Shares Series B in respect of which the holder thereof desires to exercise such right of conversion. Such notice shall be signed by such holder or his duly authorized attorney and shall specify the number of Preferred Shares Series B which the holder desires to have converted. The certificate or certificates for such shares need not be endorsed, except in the circumstances hereinafter contemplated, and the certificates for Common Shares resulting from conversion shall be issued in the name of the registered holder of the Preferred Shares Series B converted or in such name or names as such registered holder may direct in writing (either in the notice referred to above or otherwise), provided that such registered holder shall pay any applicable security transfer taxes. If the certificates for Common Shares resulting from conversion are to be issued in a name other than that of the registered holder of the Preferred Shares Series B, the transfer form on the back of the certificate(s) representing such Preferred Shares Series B shall be endorsed by the registered holder thereof or his duly authorized attorney, with signature guaranteed in a manner satisfactory to the Company's transfer agent for the Preferred Shares Series B. If less than all the Preferred Shares Series B represented by any certificate or certificates accompanying any such notice are to be converted, the holder shall be entitled to receive, at the expense of the Company, a new certificate representing the Preferred Shares Series B comprised in the certificate or certificates surrendered as aforesaid which are not to be converted.
- (c) *Effective Date of Conversion.* Subject as hereinafter provided in this clause 2, Preferred Shares Series B shall be deemed to have been converted into Common Shares on the respective dates of surrender of certificates representing the Preferred Shares Series B to be converted accompanied by notice in writing as provided in subclause 2(b) hereof, notwithstanding any delay in the delivery of certificates representing the Common Shares into which such Preferred Shares Series B have been converted.



(d) *Adjustment of Conversion Basis.*

- (i) If the Company shall declare a dividend or make a distribution on its outstanding Common Shares payable in Common Shares, or shall subdivide its outstanding Common Shares into a greater number of shares, or shall consolidate its outstanding Common Shares into a smaller number of shares (any such event being herein called a "Common Share Reorganization") then the Conversion Basis shall be proportionately adjusted immediately after the record date at which the holders of Common Shares are determined for purposes of the Common Share reorganization and any holder of Preferred Shares Series B who has not exercised his right of conversion prior to the effective date of such Common Share Reorganization shall be entitled to receive and shall accept, upon the exercise of such right at any time on such effective date or thereafter, in lieu of the number of Common Shares to which he was theretofore entitled upon conversion, the aggregate number of Common Shares of the Company that such holder would have been entitled to receive as a result of such Common Share Reorganization if, on the effective date thereof, he had been the registered holder of the number of Common Shares to which he was theretofore entitled upon conversion.
- (ii) If there is a capital reorganization of the Company not covered by subclause 2(d)(i) hereof or a consolidation or merger or amalgamation of the Company with or into any other company including by way of a sale whereby all or substantially all of the Company's undertaking and assets would become the property of any other company (any of which is herein called a "Capital Reorganization"), any holder of Preferred Shares Series B who has not exercised his right of conversion prior to the effective date of such Capital Reorganization shall be entitled to receive and shall accept, upon the exercise of such right at any time on the effective date or thereafter, in lieu of the number of Common Shares to which he was theretofore entitled upon conversion, the aggregate number of shares or other securities or property of the Company or of the company resulting from or purchasing under the Capital Reorganization, that such holder would have been entitled to receive as a result of such Capital Reorganization if, on the effective date thereof, he had been the registered holder of the number of Common Shares to which he was theretofore entitled upon conversion; provided that no such Capital Reorganization shall be carried into effect unless, in the opinion of the directors, all necessary steps shall have been taken to ensure that the holders of the Preferred Shares Series B shall thereafter be entitled to receive such number of shares or other securities or property of the Company or of the company resulting from or purchasing under the Capital Reorganization, subject to adjustment thereafter in accordance with provisions similar, as nearly as may be, to those contained in this clause 2.
- (iii) If the Company shall issue options, rights or warrants to holders of its outstanding Common Shares under which such holders are entitled to subscribe for or purchase Additional Equity Shares at a subscription or purchase price per share less than the Market Price in effect on the record date for such issue (any such event being herein called a "Rights Offering"), then the Conversion Basis shall be adjusted immediately after the record date at which the holders of Common Shares are determined for the purpose of the Rights Offering by dividing into \$5.50 the adjusted Equivalent Conversion Price determined by multiplying the Equivalent Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares out-





standing on such record date plus a number determined by dividing the aggregate subscription price of the total number of Additional Equity Shares offered for subscription or purchase under the Rights Offering by the Market Price on such record date and of which the denominator shall be the total number of Common Shares outstanding on such record date plus the total number of Additional Equity Shares offered for subscription or purchase. The resulting quotient, adjusted to the nearest 1/100th, shall thereafter be the Conversion Basis until further adjusted as provided in this clause 2. If at the date of expiry of the options, rights or warrants less than all of them have been exercised so that less than all of the Equity Shares issuable with respect thereto have been issued, then the Conversion Basis shall be re-adjusted immediately after the date of expiry to the Conversion Basis which would have been in effect on such date of expiry if the only options, rights or warrants issued had been those that were exercised.

- (iv) If the Company shall at any time or from time to time in any manner issue or sell any shares or securities convertible into or exchangeable for Common Shares (such convertible or exchangeable shares or securities being herein called "Convertible Securities"), whether or not the rights to exchange or convert the same are immediately exercisable, and the price per share for which Common Shares are issuable upon such conversion or exchange (determined by dividing (a) the total amount received or receivable by the Company as consideration for the issue of such Convertible Securities plus the minimum aggregate amount of additional consideration, if any, payable to the Company upon the conversion or exchange of all such Convertible Securities, by (b) the total maximum number of Common Shares issuable upon the conversion or exchange of all such Convertible Securities) shall be less than the Market Price in effect immediately prior to the time of such issue or sale of Convertible Securities (any such event being herein called an "Issue of Convertible Securities"), then the Conversion Basis shall be adjusted immediately after such issue or sale by dividing into \$5.50 the adjusted Equivalent Conversion Price determined by multiplying the Equivalent Conversion Price in effect at such time by a fraction, of which the numerator shall be the total number of Common Shares outstanding at such date plus a number determined by dividing the aggregate issue or sale price of the total number of Common Shares issuable upon the conversion or exchange of all such Convertible Securities by the Market Price on the date of such issue or sale and of which the denominator shall be the total number of Common Shares outstanding on the date of such issue or sale plus the total number of Common Shares issuable upon such conversion or exchange. The resulting quotient, adjusted to the nearest 1/100th, shall thereafter be the Conversion Basis until further adjusted as provided in this clause 2. If, at the date of expiry of any conversion or exchange rights of or appertaining to any Convertible Securities, less than all of the Convertible Securities have been converted or exchanged so that less than all of the Common Shares issuable with respect thereto have been issued, then the Conversion Basis shall be re-adjusted immediately after such date of expiry to the Conversion Basis which would have been in effect on such date of expiry if the only Convertible Securities issued or sold had been those that were converted or exchanged. For the purposes of this subclause 2(d)(iv), Convertible Securities shall be deemed to be issued on the date on which the Company enters into an enforceable agreement to issue such Convertible Securities.



- (v) If the Company shall at any time or from time to time issue or sell Additional Equity Shares, other than pursuant to the exercise of a conversion or exchange right attaching to a Convertible Security, at a price per share less than the Market Price in effect on the date of such issue or sale and such issue or sale does not constitute a Common Share Reorganization, a Capital Reorganization or a Rights Offering (any such event being herein called a "New Issue"), then the Conversion Basis shall be adjusted immediately after the date of such issue or sale by dividing into \$5.50 the adjusted Equivalent Conversion Price determined by multiplying the Equivalent Conversion Price in effect on the date of issue or sale by a fraction, of which the numerator shall be the total number of Common Shares outstanding on the date of issue or sale plus a number determined by dividing the aggregate of the subscription price of the total number of Additional Equity Shares so issued or sold by the Market Price on the date of issue or sale and of which the denominator shall be the total number of Common Shares outstanding on the date of such issue or sale plus the total number of Additional Equity Shares issued or sold. The resulting quotient, adjusted to the nearest 1/100th, shall thereafter be the Conversion Basis until further adjusted as provided in this clause 2. For the purposes of this subclause 2(d)(v), Additional Equity Shares shall be deemed to be issued on the date on which the Company enters into an enforceable agreement to issue such Additional Equity Shares.
- (vi) If the Company shall issue or distribute to the holders of its outstanding Common Shares, shares of any class other than Common Shares, or options, rights or warrants, or evidences of indebtedness or any other assets (apart from cash) and such issuance or distribution does not constitute a Common Share Reorganization, a Capital Reorganization, a Rights Offering, an Issue of Convertible Securities or a New Issue (any such event being herein called a "Special Distribution"), then the Conversion Basis shall be adjusted immediately after the record date at which the holders of Common Shares are determined for purposes of the Special Distribution by dividing into \$5.50 the adjusted Equivalent Conversion Price determined by multiplying the Equivalent Conversion Price in effect on the record date by a fraction, of which the numerator shall be a number determined by multiplying the total number of Common Shares outstanding on such record date by the Market Price on such date and deducting from the amount so obtained the aggregate fair market value, as determined by the directors, of the shares, options, rights, warrants, evidences of indebtedness or other assets distributed in the Special Distribution and of which the denominator shall be the total number of Common Shares outstanding on such record date multiplied by the Market Price on such record date (provided that no such adjustment shall be made if the result of such adjustment would be to decrease the Conversion Basis in effect immediately before such record date). The resulting quotient, adjusted to the nearest 1/100th, shall thereafter be the Conversion Basis until further adjusted as provided in this clause 2.
- (vii) If any re-classification or other change shall be made in the outstanding Common Shares, which re-classification or other change does not constitute a Common Share Reorganization or a Capital Reorganization, then the Conversion Basis shall be adjusted in such manner as the auditors of the Company determine to be appropriate.





- (e) *Conversion Adjustment Rules.* The following rules and procedures shall be applicable to Conversion Basis adjustments made pursuant to subclause 2(d) hereof:
- (i) any Common Shares (which for all purposes of this subsection (i) shall include Class A Shares) owned by or held for the account of the Company shall be deemed not to be outstanding but, for the purposes of this subsection (i), any Common Shares owned by a pension plan for employees of the Company or its subsidiaries shall not be considered to be owned by or held for the account of the Company;
  - (ii) in the case of any issue by the Company of Additional Equity Shares for cash, the consideration received by the Company therefor shall be deemed to be the amount of cash received by the Company for such Additional Equity Shares before deducting therefrom the amount of any commission, discount or other expenses which have been paid or incurred by the Company for any underwriting of, or otherwise in connection with, the issuance or sale of such Additional Equity Shares;
  - (iii) if the purchase price provided for in any Rights Offering referred to in subclause 2(d)(iii) is decreased, or the rate at which any Convertible Securities referred to in subclause 2(d)(iv) are convertible into or exchangeable for Common Shares is increased, the Conversion Basis shall forthwith be changed so as to increase the Conversion Basis to such Conversion Basis as would have obtained had the adjustment made upon the issuance of such Rights Offering or Convertible Securities been made upon the basis of such purchase price as so decreased or such rate as so increased, provided that the provisions of this subsection (iii) shall not apply to any such increase or decrease resulting from provisions in any such Rights Offering or Convertible Securities designed to prevent dilution if such increase or decrease shall not have been proportionately greater than the increase, if any, in the Conversion Basis to be made at the same time pursuant to the provisions of this clause 2;
  - (iv) no adjustment in the Conversion Basis shall be required unless a decrease of at least one per cent (1%) in the prevailing Equivalent Conversion Price would result, provided however, that any adjustment which, except for the provisions of this subsection (iv) would otherwise have been required to be made, shall be carried forward and taken into account in any subsequent adjustment;
  - (v) if any question shall at any time arise with respect to adjustments in the Conversion Basis, such question shall be conclusively determined by the auditors of the Company and any such determination shall be binding upon the Company and all transfer agents and all shareholders of the Company;
  - (vi) forthwith after adjustment in the Conversion Basis pursuant to the foregoing subclause 2(d), the Company shall file with the transfer agent of the Company for the Preferred Shares Series B, a certificate certifying as to the amount of such adjustment and, in reasonable detail, the event requiring and the manner of computing such adjustment; the Company shall also at such time give written notice to the registered holders of Preferred Shares Series B of the Conversion Basis and the Equivalent Conversion Price following such adjustment and clause 10 of the Preferred Share Class Provisions with respect to the giving of notice of redemption shall apply mutatis mutandis to the giving of such notice; and
  - (vii) in the case of a New Issue for consideration other than cash, the adjustment



required by subclause 2(d)(v) hereof shall be based on the fair market value of such consideration, as determined by the directors.

- (f) *Entitlement to Dividends.* The registered holder of any Common Share resulting from any conversion pursuant to this clause 2 shall be entitled to rank equally with the registered holders of all other Common Shares in respect of all dividends declared payable to holders of Common Shares of record on any date after the date of conversion. Subject as aforesaid, no payment or adjustment will be made on account of any dividend, accrued or otherwise, on the Common Shares resulting from any conversion.
- (g) *Notice of Certain Events.* If the Company intends to fix a record date for any Common Share Reorganization (other than the subdivision of outstanding Common Shares into a greater number of shares or the consolidation of outstanding Common Shares into a smaller number of shares) or for any Capital Reorganization or for any Rights Offering or Special Distribution, the Company shall, not less than twenty-one (21) days prior to such record date, notify each registered holder of Preferred Shares Series B of such intention by written notice setting forth the particulars of the proposed event to the extent that such particulars have been determined at the time of giving the notice and the provisions of clause 10 of the Preferred Shares Class Provisions with respect to the giving of notice of redemption shall apply mutatis mutandis to the giving of such notice.
- (h) *Avoidance of Fractional Shares.* In any case where a fraction of a Common Share would otherwise be issuable on conversion of one (1) or more Preferred Shares Series B, the Company shall adjust such fractional interest by the payment by cheque of an amount equal to the then current market value of such fractional interest computed on the basis of the last board lot sale price (or the last bid price if there had been no board lot sale) for the Common Shares on The Toronto Stock Exchange (or, if the Common Shares are not listed on The Toronto Stock Exchange, on such stock exchange on which such shares are listed as may be selected for such purpose by the directors) next preceding the date of such surrender. In the event that the Common Shares are not listed on any stock exchange, the current market value of such fractional interest shall be determined by the directors.
- (i) *Postponement of Issuance of Shares upon Conversion.* In any case where the application of the foregoing provisions results in an increase of the Conversion Basis taking effect immediately after the record date for a specific event, if any Preferred Shares Series B are converted after that record date and prior to completion of the event, the Company may postpone the issuance to the holder of the additional Common Shares to which he is entitled by reason of the increase of the Conversion Basis but such additional Common Shares shall be so issued and delivered to that holder upon completion of the event and the Company shall deliver to the holder an appropriate instrument evidencing his right to receive such additional Common Shares.
- (j) *Reservation of Common Shares.* The Company covenants and agrees that, so long as any of the Preferred Shares Series B are outstanding and entitled to the right of conversion herein provided, it will at all times reserve and hold out of its unissued Common Shares a sufficient number of unissued Common Shares to enable all of the Preferred Shares Series B outstanding to be converted upon the basis and upon the terms and conditions herein provided in this clause 2; provided that nothing herein contained shall affect or restrict the right of the Company to increase the number of





its Common Shares in accordance with the Act nor to issue such Common Shares from time to time.

***Retraction at Option of Holder and Deemed Conversion***

3. A holder of Preferred Shares Series B shall be entitled until the close of business on the date of the first anniversary of the Effective Date of the Amalgamation (such date being herein called the "Termination Date"), to require the Company to redeem, subject to the provisions of the Act, at any time or times, all or any of the Preferred Shares Series B registered in the name of such holder on the books of the Company by tendering to the Company at its principal office a share certificate representing the Preferred Shares Series B which the registered holder desires to have the Company redeem. In the event that such holder does not accompany such certificate with a written request specifying the number of Preferred Shares Series B which such holder desires the Company to redeem, such holder shall be deemed to have requested the Company to redeem all the Preferred Shares Series B represented by the said certificate. The Company shall, on the thirtieth (30th) day (the "Redemption Date") after receipt by it of a share certificate representing the Preferred Shares Series B which the registered holder thereof desires to have redeemed, redeem such Preferred Shares Series B by paying to such registered holder an amount equal to the aggregate par value of the Preferred Shares Series B. Such payment shall be made by cheque payable at par at any branch of the Company's bankers for the time being in Canada. The said Preferred Shares Series B shall be redeemed on the Redemption Date and from and after the Redemption Date the holder thereof shall not be entitled to exercise any of the rights of a holder of Preferred Shares Series B in respect thereof unless payment of the redemption price is not made on the Redemption Date, in which event the rights of the holder of the said Preferred Shares Series B shall remain unaffected.

Notwithstanding the foregoing, the Company shall only be obliged to redeem Preferred Shares Series B under the foregoing provisions if and so long as such redemption would not be contrary to any applicable law.

In the event that a holder of Preferred Shares Series B does not tender his Preferred Shares Series B for redemption by the Company as aforesaid by the close of business on the Termination Date, or, if having so tendered, it would be contrary to any applicable law for the Company to redeem his Preferred Shares Series B so tendered, the right of a holder of Preferred Shares Series B to convert the same into Common Shares, as hereinbefore provided in clause 2 of these Preferred Shares Series B Series Provisions, shall be deemed to have been exercised by such holder as at the close of business on the Termination Date on the Conversion Basis in effect at that time, and such registered holder of Preferred Shares Series B shall be deemed to have become a holder of Common Shares of record of the Company for all purposes at such time and thereafter shall not be entitled to exercise any of the rights of a holder of Preferred Shares Series B. Forthwith following the Termination Date, the Company shall deliver or cause to be delivered to the former holders of the Preferred Shares Series B so converted, certificate(s) registered in the same name as the former holder of Preferred Shares Series B (unless prior to such delivery the Company or the transfer agent for the Preferred Shares Series B at its principal office in the City of Toronto shall have received written instructions from such registered holder directing in whose name or names such Common Shares are to be registered together with payment from such registered holder of any applicable security transfer taxes) representing the Common Shares into which such Preferred Shares Series B have been converted.



Any Preferred Shares Series B which are redeemed or converted as herein provided shall, upon compliance with any applicable provisions of the Act, be therefrom restored to the status of authorized but unissued Preferred Shares not included in any series of Preferred Shares.

#### ***Liquidation, Dissolution or Winding-up***

4. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs, the holders of the Preferred Shares Series B shall be entitled to receive the amount paid up on such shares before any amount shall be paid or payable or assets of the Company shall be distributed to the holders of the Common Shares or to the holders of any other shares ranking junior to the Preferred Shares Series B with respect to payment of capital. After payment to the holders of the Preferred Shares Series B of the amount so payable to them they shall not be entitled to share in any further distribution of the assets of the Company.

#### ***Restriction on Redemption***

5. Except as provided in clause 3 of these Preferred Shares Series B Series Provisions, the Preferred Shares Series B shall not be redeemable by the Company.

#### ***Restriction on Creation of Equal or Prior Ranking Shares***

6. For the purposes of this clause 6, the directors of the Company may from time to time determine Shareholders' Equity as at a date not more than one hundred and eighty (180) days prior to the making of such determination and may determine such Shareholders' Equity to be not less than a stated amount without determining the exact amount thereof; in making any such determination the directors shall consider and may rely on the last available audited consolidated balance sheet of the Company and its subsidiaries and/or the last available audited balance sheet of the Company reported on by the Company's auditors and may consider and rely on the last available unaudited consolidated balance sheet of the Company prepared by the accounting officers of the Company and upon any other financial statement, report or other data which they may consider reliable and upon the last available independent property valuation provided that the directors shall not make any such determination on the basis of any such balance sheet, statement, report, valuation or other data if to their knowledge any event has happened which would materially and adversely affect such Shareholders' Equity as determined on such basis; upon any such determination having been made by the directors under the provisions hereof Shareholders' Equity of the Company and its subsidiaries as at any date within a period of one hundred and eighty (180) days following the date as of which such determination is made (unless any further determination of such Shareholders' Equity is so made within such period) shall be conclusively deemed to be not less than the amount stated in such determination and such determination shall be conclusive and binding on the Company and the holders of shares of every class.

So long as any of the Preferred Shares Series B are outstanding the Company shall not issue any other Preferred Share or any share of any other class ranking in any respect prior to or on a parity with the Preferred Shares Series B unless Shareholders' Equity as at a date not more than one hundred and eighty (180) days prior to such issue, shall be at least equal to one and one-half ( $1\frac{1}{2}$ ) times the aggregate par value of all Preferred Shares and other shares of the Company ranking in priority to or on a parity with the Preferred Shares Series B to be outstanding immediately after such issue; provided that any of such shares which have been duly called for redemption and for the redemption of





which adequate provision has been made assuring that such shares shall be redeemed within thirty-five (35) days thereafter shall be considered to have been redeemed for the purpose of this clause 6.

### ***No Dividends***

7. The Preferred Shares Series B shall not bear dividends.

### ***Voting***

8. The holders of the Preferred Shares Series B shall be entitled to receive notice of, and to attend and, either in person or by proxy, vote at (on the basis of that number of votes for each Preferred Share Series B equal to the Conversion Basis then in effect) all meetings of the shareholders of the Company other than separate meetings of the holders of shares of another series of class of shares of the Company.

### ***Notices***

9. Unless otherwise specifically provided herein or in the Preferred Shares Class Provisions, any notice, cheque, invitation for tenders or other communication from the Company provided for in the Preferred Shares Series B Series Provisions shall be sent to the holders of the Preferred Shares Series B by ordinary unregistered mail, postage prepaid, at their respective addresses appearing on the books of the Company or, in the event of the address of any such holder not so appearing then at the last known address of such holder. Accidental failure to give any such notice, invitation for tenders or other communication to one or more holders of the Preferred Shares Series B shall not affect the validity thereof, but, upon such failure being discovered, the notice, invitation for tenders or other communication, as the case may be, shall be sent forthwith to such holder or holders and shall have the same effect as if given in due time.

### ***Amendments***

10. The provisions of clauses 1 to 11, inclusive, of these Preferred Shares Series B Series Provisions, or any of them, may be repealed, altered, modified, amended or amplified only with the sanction of the holders of the Preferred Shares Series B given as hereinafter specified in addition to any other approval required by the Act.

### ***Sanction by Holders of Preferred Shares Series B***

11. The sanction of holders of the Preferred Shares Series B as to any and all matters referred to herein or as to any change adversely affecting the rights or privileges of the Preferred Shares Series B may be given and shall be deemed to have been sufficiently given if given by the holders of the Preferred Shares Series B in the manner provided in clause 12 of the Preferred Shares Class Provisions, which provisions shall apply mutatis mutandis as though the term "Preferred Shares Series B" were used in such clause in place of the term "Preferred Shares".

### ***D. Common Shares.***

The Common Shares of the Company shall entitle the holders thereof to one vote at all meetings of shareholders, except meetings at which only holders of another specified class of shares are entitled to vote, and shall, subject to the rights, privileges, preferences, conditions and restrictions attaching to the Preferred Shares, whether as a class or a series, and to any other class or series of shares of the Company which rank prior to the Common Shares, entitle the holders thereof to receive the remaining property of the Company upon its liquidation, dissolution or winding-up.



**ARTICLES OF ASSOCIATION  
OF  
BRINCO LIMITED**

**TABLE A**

1. The regulations in Table A in the First Schedule to The Companies Act, Chapter 54 of the Revised Statutes of Newfoundland 1970, as amended, shall not apply to the Company.

**INTERPRETATION**

2. In these Articles, if not inconsistent with the subject or context, the words standing in the first column of the following Table shall bear the meanings set opposite to them respectively in the second column thereof:

**WORDS**

**MEANINGS**

The Act	The Companies Act, (Chapter 54 of the Revised Statutes of Newfoundland 1970, as amended).
Articles	These Articles of Association and any amendment thereto.
The Office	The Registered Office of the Company.
The Seal	The Common Seal of the Company or any official facsimile of the same.
The Board	The Board of Directors of the Company or the Directors present at a duly convened Meeting of Directors at which a quorum is present.
The Register	The Register of Shareholders of the Company.
In writing	Written or produced by any substitute for writing, or partly written and partly as produced.
Paid up	Paid up or credited as paid up.
Words importing the singular number only shall include the plural number and vice versa;	
Words importing the masculine gender only shall include the feminine gender;	
Words importing persons shall include corporations;	
The expression "Secretary" shall include a temporary or Assistant Secretary and any person appointed by the Board to perform any of the duties of the Secretary;	
The expression "Treasurer" shall include a temporary or Assistant Treasurer and any person appointed by the Board to perform any of the duties of the Treasurer;	
"Shareholder" shall include "Member" and vice-versa;	
"Annual General Meeting" shall mean the regular General Meeting required by the Act to be held annually;	
"Extraordinary General Meeting" shall mean any General Meeting other than an Annual General Meeting;	
Reference to any provision of the Act shall be construed as a reference to such provision as modified by any Statute for the time being in force.	





3. Subject to the last preceding Article, any words or expressions defined in the Act shall, if not inconsistent with the subject or context, bear the same meaning in these Articles.

## BUSINESS

4. The Company may carry on any business which it is authorized to undertake by its Memorandum of Association.
5. The Office shall be at such place in Newfoundland as the Board shall from time to time designate.

## SHARE CAPITAL

6. The authorized share capital of the Company consists of thirty-five million (35,000,000) Common Shares without nominal or par value and ten million (10,000,000) Preferred Shares with a par value of \$5.50 each, issuable in series.  
The Company may from time to time by Ordinary Resolution increase its capital by such sum as the Resolution shall prescribe.
7. Without prejudice to any special rights previously conferred on the holders of any shares or class of shares, any share in the Company may be issued with or have attached thereto such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may from time to time by Resolution determine.
8. Any preference shares may be issued on the terms that they are, or at the option of the Company are, liable to be redeemed on such terms and in such manner as the Company may by Special Resolution determine.
9. The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided by the conditions of issue of such shares, be deemed to be altered by the creation or issue of further shares ranking *pari passu* therewith.
10. Subject to the provisions of the Articles, the unissued shares of the Company shall be at the disposal of the Board which may allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms and conditions as the Board may determine.
11. The Company may pay a commission to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, for shares in the Company or procuring or agreeing to procure subscriptions, whether absolute or conditional, for shares in the Company, but no such commission shall exceed twenty-five per cent of the amount of the subscription.
12. Every person whose name is entered as a Shareholder in the Register shall be entitled, without payment, to receive upon allotment or lodgment of transfer (or within such period thereafter as the conditions of issue shall provide) one certificate for all his shares of any one class, or several certificates each for one or more of his shares of such class upon such terms and conditions as the Board shall from time to time determine. In the case of a share held jointly by several persons, delivery of a certificate to one of several joint holders shall be sufficient delivery to all.



Any certificates issued for partially paid shares shall bear the endorsement "partially paid".

13. If a share certificate be worn out, defaced, lost or destroyed, it may be replaced on payment of such fee as the Board may authorize from time to time and on such terms as to evidence, indemnity and payment of the out-of-pocket expenses of the Company of investigating such evidence as the Board may think fit and, in case of defaced or a worn out certificate, on delivery of the old certificate to the Company.

#### LIEN

14. The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys, whether presently payable or not, called or payable at a fixed time in respect of such share. The Company shall also have a first and paramount lien and charge on all shares (other than fully paid shares) standing registered in the name of a Shareholder for all the debts and liabilities of such Shareholder or his estate to the Company, and that whether the same shall have been incurred before or after notice to the Company of any equitable or other interest of any person other than such Shareholder, and whether the time for the payment or discharge of the same shall have actually arrived or not, and notwithstanding that the same are joint debts or liabilities of such Shareholder or his estate and any other person whether a Shareholder of the Company or not.

The Company's lien on a share shall extend to all dividends payable thereon. The Board may at any time declare any share to be wholly or in part exempt from the provisions of this Article.

15. The Company may sell, in such manner as the Board may think fit, any share on which the Company has a lien. No sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of fourteen (14) days after a notice in writing demanding payment of the sum presently payable and stating the intention to sell in default shall have been given to the holder for the time being of the share or to the person entitled by reason of the death or bankruptcy of such Shareholder to the share.
16. The net proceeds of sale shall be applied in or towards payment or satisfaction of the debt or liability in respect whereof the lien exists so far as the same is presently payable. Any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the shares prior to the sale) be paid to the person entitled to the shares at the time of the sale. To give effect to any such sale the Board may authorize a person to transfer the shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares and he shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

#### CALLS ON SHARES

17. The Board may from time to time make calls upon the Shareholders in respect of any moneys unpaid on their shares and not by the conditions of allotment thereof made payable at fixed times. Each Shareholder shall (subject to the Company giving to him at least fourteen days' notice specifying the time or times and place of payment) pay to the Company the amount called on his shares. A call may be made payable by instalments. A call may be revoked or postponed as the Board may determine.





18. A call shall be deemed to have been made at the time when the resolution of the Board authorizing the call was passed.
19. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.
20. If a sum called in respect of a share be not paid before or on the day appointed for payment thereof, the holder for the time being of the shares in respect of which the call shall have been made or the instalment shall be due, shall be liable to pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding ten per cent (10%) per annum, as the Board may determine. The Board shall be at liberty to waive payment of such interest wholly or in part.
21. Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date shall for all the purposes of these Articles be deemed to be a call duly made and payable on the date on which, by the terms of issue, the same becomes payable, and in case of non-payment all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.
22. The Board may make arrangements on the issue of shares for a difference between the holders in the amounts of calls to be paid and in the times of payment.
23. No Shareholder shall be entitled to receive any dividends, or to participate in any distribution, whether of capital or otherwise, while any calls together with interest and expenses, if any, for the time being due and payable, on every share held by him, whether alone or jointly with any other person, remain unpaid.

#### FORFEITURE OF SHARES

24. If a Shareholder fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may at any time thereafter during such time as any part of such call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest and expenses which may have accrued by reason of such non-payment.
25. The notice shall name a further day (not being less than fourteen (14) days from the date of the notice) on or before which and the place where the payment required by the notice is to be made and shall state that in the event of non-payment at or before the time and at the place appointed the shares in respect of which such call was made or instalment is payable will be liable to be forfeited. The Board may accept the surrender of any share liable to be forfeited hereunder and, in such case, references herein to forfeiture shall include surrender.
26. If the requirements of any such notice be not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments, interest and expenses due in respect thereof has been made, be forfeited by a Resolution of the Board to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.
27. When any share has been forfeited, notice of the forfeiture shall forthwith be given to the holder of the share or the person entitled to the share by reason of the death or



bankruptcy of the holder (as the case may be); but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice as aforesaid.

28. A forfeited share shall become the property of the Company and may be sold, re-allotted or otherwise disposed of to any person in such manner as the Board shall think fit. At any time before a sale, re-allotment or other disposition of the shares the forfeiture may be cancelled on such terms as the Board may think fit.
29. A Shareholder whose shares have been forfeited shall cease to be a Shareholder in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all moneys which at the date of forfeiture were presently payable by him to the Company in respect of the shares with interest thereon at such rate as the Board may determine, not exceeding ten per cent (10%) per annum, from the date of call until payment.
30. A statutory declaration in writing that the declarant is a Director or the Secretary of the Company and that a share has been duly forfeited on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. The Company may receive the consideration (if any) given for the share on the sale, re-allotment or other disposition thereof and may execute a transfer of the share in favour of the person to whom the same is sold, re-allotted or otherwise disposed of, and such person shall thereupon be registered as the holder of the share and he shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.

#### TRANSFER OF SHARES

31. Subject to such of the restrictions of these Articles as may be applicable, any Shareholder may transfer all or any of his shares by transfer in writing in the usual common form or in any other form which the Board may approve.
32. The instrument of transfer of a share shall be executed by the transferor and in the case of a share that is not fully paid shall also be executed by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register in respect thereof. All instruments of transfer, when registered, shall be retained by the Company or by its transfer agent or one of its branch transfer agents.
33. The Board may, in its absolute discretion and without assigning any reason therefore, decline to register any transfer of shares (other than fully paid shares) to a person of whom it shall not approve. The Board may also decline to register any transfer of shares on which the Company has a lien.
34. The Board may also decline to recognize any instrument of transfer unless:
  - (a) The instrument of transfer is lodged with the Company accompanied by the certificate of the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; and
  - (b) The instrument of transfer is in respect of only one class of share.
35. If the Board refuses to register a transfer it shall, within two (2) months after the date on which the transfer was lodged, send to the transferee notice of the refusal.





36. The Company shall be entitled to charge a fee, in such an amount as the Board may determine, on the registration of every probate, letters of administration, certificate of death or marriage, power of attorney, distringas notice or other instrument relating to or affecting the title to any share.
37. (1) Where a transmission of shares or other securities of the Company takes place by virtue of any testamentary act or instrument, or in consequence of an intestacy, and the probate of the will or letters of administration or document testamentary, or other judicial or official instrument under which the title, whether beneficial or as trustee, or the administration or control of the personal estate of the deceased is claimed to vest, purports to be granted by any court or authority in Canada, or in the United Kingdom, or in any of Her Majesty's dominions, or in any of Her Majesty's colonies or dependencies, or in any foreign country, the probate of the said will or the said letters of administration or the said document testamentary or, in the case of a transmission by notarial will in the Province of Quebec, a copy thereof duly certified in accordance with the laws of the said Province, or the said other judicial or official instrument, or an exemplified copy thereof or extract therefrom under the seal of such court or other authority, without any proof of the authenticity of such seal or other proof whatever, shall be produced; and a copy thereof, together with a declaration in writing showing the nature of such transmission, signed and executed by such one or more of the persons claiming by virtue thereof as the Company may require, or, if any such person is any other company, signed and executed by an officer of such other company, shall be deposited with an officer of the Company or other person authorized by the Directors of the Company to receive the same.
- (2) Such production and deposit shall be sufficient justification and authority to the Directors for paying the amount or value of any dividend, coupon, bond, debenture or obligation or share, or transferring, or consenting to the transfer of any bond, debenture or obligation or share, in pursuance of, and in conformity with such probate, letters of administration or other such document.
- (3) Any transfer of the shares or other interest of a deceased Shareholder made by his personal representative shall, notwithstanding such personal representative is not himself a Shareholder, be of the same validity as if he had been a Shareholder at the time of his execution of the instrument of transfer.
38. Upon the production of such evidence, as may be prescribed by these Articles or required by the Board, any person becoming entitled to a share in consequence of the death, bankruptcy or insolvency of a Shareholder may either be registered himself as holder of the share or elect to have some person nominated by him as his transferee thereof.
- The production of the evidence required by the Board or these Articles shall be sufficient justification and authority for the Company to permit the transfer of the share in pursuance and in conformity with such evidence.
39. If the person shall elect to be registered himself, he shall deliver or send to the Company a notice in writing signed by him, stating that he so elects. If he elects to have his nominee registered, he shall testify his election by executing to his nominee a transfer of such share.
40. A person becoming entitled to a share in consequence of the bankruptcy or insolvency of a Shareholder shall be entitled to receive and give a discharge for any dividends or



other moneys payable in respect of the share, and to receive notices of or to attend or vote at Meetings of the Company, and to exercise in respect of the share any of the rights or privileges of a Shareholder if he becomes registered as the holder of the share.

#### GENERAL MEETINGS

41. (1) The Company shall in each year hold an Annual General Meeting. No more than fifteen (15) months shall elapse between the date of one Annual General Meeting of the Company and that of the next. The Annual General Meeting shall be held at such time and place as the Board shall appoint.
- (2) Extraordinary General Meetings may be called by the Board for such time and place as it thinks fit.
- (3) On the requisition of Shareholders holding at the date of the deposit of the requisition not less than one-tenth ( $\frac{1}{10}$ ) of the issued share capital of the Company of the class or classes that at the date of the deposit carry the right to vote at the Meeting to be called pursuant to such requisition, the Board shall forthwith duly proceed to call an Extraordinary General Meeting.
- (4) The requisition of Shareholders shall state the general nature of the business to be transacted at the Meeting and shall be signed by the requisitionists and deposited at the Office of the Company.
- (5) Where the Board does not within twenty-one (21) days from the date of the deposit of the requisition duly proceed to call such a Meeting, the requisitionists, or any one of them representing more than one-half ( $\frac{1}{2}$ ) of the total voting rights of all of them, may themselves call such Meeting, but any Meeting so called shall not be held after the expiration of three months from the said date.
- (6) A Meeting called under paragraph 5 of this Article by the requisitionists shall be called in the same manner as that in which Extraordinary General Meetings are to be called pursuant to the Articles.

#### NOTICE OF GENERAL MEETINGS

42. Annual and Extraordinary General Meetings of the Company shall be called by giving at least sixteen (16) days' notice in writing. The notice shall specify the place, the day and the hour of the Meeting, and, in the case of special business, the general nature of that business.

Notice of every such Annual or Extraordinary General meeting shall be given to such persons as are, in accordance with these Articles, entitled to receive such notices from the Company, and also to the Auditors of the Company for the time being.

43. The accidental omission to give notice of any Meeting or (in cases where instruments of proxy are sent out with the notice) the accidental omission to send such instrument of proxy to, or the non-receipt of notice of a Meeting or such instrument of proxy by any person entitled to receive notice shall not invalidate any Resolution passed or proceedings taken at that Meeting.

#### PROCEEDINGS AT GENERAL MEETINGS

44. All business shall be deemed special that is transacted at an Extraordinary General Meeting. All business that is transacted at an Annual General Meeting with the excep-





tion of the consideration of the accounts and balance sheet and the reports of the Directors and Auditors, and the election of Directors and Auditors shall be deemed special.

45. No business shall be transacted at any General Meeting unless a quorum be present when the Meeting proceeds to business. Save as otherwise provided by these Articles, three (3) persons, present at the Meeting and entitled to vote representing either personally or as proxies at least ten per cent (10%) of the issued share capital, shall be a quorum for all purposes. A corporation being a Shareholder shall be deemed for the purpose of this Article to be personally present if presented by proxy.
46. If within half an hour after the time appointed for a General Meeting a quorum be not present, the Meeting shall stand adjourned to the same day in the next week at the same time and place or to such other day, time and place as the Board may determine, and the provisions of Article 50 shall apply. If at such adjourned General Meeting a quorum be not present with fifteen (15) minutes after the time appointed for holding the General Meeting, the Meeting shall be dissolved.
47. The Chairman, or in his absence the President, shall preside as Chairman at every General Meeting of the Company.
48. If at any General Meeting the Chairman or the President be not present within fifteen (15) minutes after the time appointed for holding the Meeting, or if neither of them be willing to act as Chairman of the Meeting, the Directors present shall choose one of their number to act, or if one Director only be present he shall preside as Chairman if willing to act. If no Director be present, or if all the Directors present decline to take the chair, the Shareholders present shall choose one of their number to be Chairman of the Meeting.
49. At each General Meeting of the Company one or more scrutineers may be appointed by Resolution of the Meeting or by the Chairman presiding at the Meeting with the consent of the Meeting to serve at that General Meeting. Such scrutineers need not be Shareholders of the Company. If a person so appointed shall be unable or unwilling to act, the Chairman presiding at the Meeting shall appoint a substitute to act in his stead.
50. The Chairman of any General Meeting may, with the consent of any General Meeting at which a quorum is present (and shall if so directed by the General Meeting), adjourn the Meeting from time to time and place to place. No business shall be transacted at any adjourned General Meeting except business which might lawfully have been transacted at the General Meeting from which the adjournment took place. When a General Meeting is adjourned for thirty (30) days or more notice of the adjourned Meeting shall be given as in the case of an original Meeting. Save as aforesaid, it shall not be necessary to give any notice of the adjournment or of the business to be transacted at an adjourned General Meeting.
51. At any General Meeting a Resolution put to the vote at the Meeting shall be decided on a show of hands unless (before or immediately following the declaration of the result of the show of hands) a poll be demanded by the Chairman of the Meeting or by at least a Shareholder or Shareholders representing not less than five percent (5%) of shares represented in person or by proxy and entitled to vote or as may in special instances be required by law. Unless a poll be so demanded, a declaration by the Chairman of the Meeting that a Resolution has, on a show of hands, been carried or carried unanimously or by a particular majority or not carried by a particular majority



or lost, and an entry to that effect in the book of proceedings of the Company shall be conclusive evidence thereof without proof of the number or proportion of the votes recorded in favour of or against such a Resolution.

52. If any votes shall be counted which ought not to have been counted or might have been rejected the error shall not vitiate the Resolution unless it be pointed out at the same Meeting and unless it shall, in the opinion of the Chairman of the Meeting, be of sufficient magnitude to vitiate the Resolution.
53. If a poll be duly demanded the result of the poll shall be deemed to be the Resolution of the Meeting at which the poll was demanded.
54. In case of an equality of votes at a General Meeting, whether on a show of hands or on a poll, the Chairman of such Meeting shall be entitled to a second or casting vote.
55. A poll demanded on the election of a Chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time and place and in such manner as the Chairman of the Meeting directs.

#### VOTES OF SHAREHOLDERS

56. Subject to any special terms as to voting upon which any shares may be issued or held:
  - (a) Upon a show of hands every Shareholder present in person and entitled to vote shall, save as to the casting vote of the Chairman, have one (1) vote only;
  - (b) Upon a show of hands, every proxy, who is not a Shareholder and who represents a Shareholder entitled to vote, shall, save as to the casting vote of the Chairman, have one (1) vote only;
  - (c) Upon a poll every Shareholder present in person or by proxy and entitled to vote shall, save as to the casting vote of the Chairman, have one (1) vote for every share held by him;
  - (d) Where a corporation being a Shareholder entitled to vote is present by proxy, or by a person duly appointed who is not a Shareholder, such proxy or person, shall in addition to voting on a poll, be entitled to vote for such corporation upon a show of hands.
  - (e) If a Shareholder is a lunatic or idiot he may vote by his committee, guardian, curator bonis or other legal curator.
57. No Shareholder shall be entitled to vote at any General Meeting unless all calls, instalments in arrears or other sums presently payable by him in respect of shares in the Company have been paid.
58. The demand for a poll shall not prevent the continuance of a General Meeting for the transaction of any business other than the question on which the poll has been demanded.
59. In the case of joint holders of a share the vote of the holder whose name stands first in the Register and who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.
60. No objection shall be raised to the qualification of any voter except at the General Meeting or adjourned Meeting at which the vote objected to is given or tendered, and every vote not disallowed at such Meeting shall be valid for all purposes. Any such





objection made in due time shall be referred to the Chairman of the Meeting, whose decision shall be final and conclusive.

61. The instrument appointing a proxy shall be in writing under the hand of the Shareholder or his attorney duly authorized in writing or, if the Shareholder be a corporation, either under its Common Seal or under the hand of an officer or its attorney duly authorized.
62. A proxy need not be a Shareholder of the Company.
63. The instrument appointing a proxy and the Power of Attorney or other authority (if any) under which it is signed, or a notarially certified copy of such Power or authority, shall be deposited at the address fixed by the Notice of the General Meeting not less than forty-eight (48) hours before the time appointed for holding the Meeting or adjourned Meeting at which the person named in the instrument proposes to vote.  
The instrument appointing a proxy shall be valid only for the Meeting for which it is given or any adjournment thereof.
64. The Board may send out with the notice of any General Meeting instruments of proxy for use at the Meeting. Where it is desired to afford Shareholders the opportunity of instructing their proxies to vote for or against the Resolution to be submitted to the Meeting, such instruments of proxy shall be in the following form or in any other form of which the Board shall approve.

(NAME OF COMPANY)

#### PROXY

Solicited by

The undersigned shareholder of (INSERT NAME OF COMPANY) hereby appoints or failing him,

as the proxy of the undersigned to vote for and on behalf of the undersigned and in respect of all of the undersigned's holdings of shares or the following lesser number, namely, \_\_\_\_\_ at the

General Meeting of the Company to be held on the \_\_\_\_\_ 19 \_\_, and at any adjournment thereof, with authority to vote at the said proxy's discretion unless otherwise specified below. The said proxy is hereby directed to vote

FOR \_\_\_\_\_ AGAINST \_\_\_\_\_ Resolution No. \_\_\_\_\_

Date \_\_\_\_\_ 19 \_\_\_\_\_  
Signature \_\_\_\_\_

65. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the Shareholder or revocation of the instrument of proxy or of the authority under which it was executed, or the transfer of the share in respect of which the instrument of proxy is given, provided that no notice in writing of such death, insanity, revocation or transfer shall have been received by the Company at the Office at least forty-eight (48) hours before the commencement of the Meeting or adjourned Meeting, at which the instrument of proxy is used.

#### DIRECTORS

66. The Company shall be managed by a Board of not less than five (5) Directors nor more than twenty-one (21). Within such limitations, the Board may from time to time by Resolution determine the number of Directors.



The Directors shall be elected at the Annual General Meeting of the Company.

Each Director shall have the power, subject to the approval of the Board, to appoint any person to act as alternate Director in his place during his absence and may at his discretion remove or, with the approval of the Board, replace such alternate Director. A person so appointed shall, in the absence of his appointor, have all the rights, duties and powers of a Director during the period of his appointment (apart from the power to appoint an alternate) and shall be subject in all respects to the terms and conditions existing with reference to the other Directors of the Company, and each alternate Director, while so acting in such appointor's absence, shall exercise and discharge all the functions, powers and duties of his appointor in his capacity as a Director. The entitlement of alternate Directors to remuneration shall be determined by the Board. An alternate Director shall ipso facto cease to be an alternate Director if his appointor ceases for any reason to be a Director, provided that if any Director retires at an Annual General Meeting but is re-elected at the same Meeting, any appointment made by him pursuant to this Article which was in force immediately before his retirement shall remain in force as though he had not retired.

All appointments and removals of an alternate Director shall be effected by instrument in writing delivered to the Chairman and the Secretary and signed by the appointor.

67. The Board shall have power, from time to time and at any time, to appoint any person to be a Director, either to fill a vacancy occurring in or as an addition to the Board, but so that the total number of Directors shall not exceed the maximum prescribed in these Articles; any Directors so appointed shall hold office until the next Annual General Meeting of the Company.
68. A Director shall not be required to hold any shares in the capital stock of the Company by way of qualification.
69. At every Annual General Meeting all of the Directors for the time being shall retire from office. Such retiring Director shall retain office until the close of the Meeting at which he retires and shall be eligible for re-election.
70. Unless by Resolution of the Board specifically otherwise provided with respect to any retiring Director, no person who has attained the age of 70 shall be eligible for appointment, election, or re-election as a Director.
71. No person, other than a Director retiring at a General Meeting, shall be eligible for election to the office of a Director at such Meeting unless recommended by the Board or, unless not less than three (3) days before the day appointed for the Meeting, there shall have been given to the Secretary notice in writing by a Shareholder duly qualified to vote at the Meeting for which such notice is given of his intention to propose such person for election as well as notice in writing signed by the person to be proposed of his willingness to be elected.
72. The Company in General Meeting may by Special Resolution remove any Director, before the expiration of his period of office, and may by Ordinary Resolution appoint another person in his stead. The person so appointed shall hold office during such time as the Director in whose place he is appointed would have held office if he had not been removed.
73. The Directors shall be entitled to such remuneration as the Board shall from time to time determine and such remuneration shall be in addition to the salary paid to any officer of the Company who is also a Director. The Directors shall also be entitled to





be paid their reasonable travelling, hotel and incidental expenses of attending and returning from Meetings of the Board or Committees of the Board or General Meetings, or otherwise incurred while engaged on the business of the Company.

74. Any Director who, by request, performs special services may be paid such extra remuneration as the Board may determine.
75. A Director of the Company may become a Director or officer of or be otherwise interested in any company promoted by the Company or in which it may be interested. No such Director shall be accountable for any remuneration or other benefits received by him as a Director or officer of or from his interest in such other company. The Board may also exercise the voting power conferred by the shares in any other company held or owned by the Company in such manner as it thinks fit, including voting for the appointment of a member of the Board to become a director or officer of such other company, or voting or providing for the payment of remuneration to the Directors or officers of such other company. Any Director of the Company may vote in favour of the exercise of such voting power by the Company notwithstanding that he may be or become a Director or officer of such other company and as such, or in any other manner, is or may be interested in the exercise of such voting rights.
76. (a) A Director may hold any other office or place of profit under the Company (except that of Auditor) upon such terms and remuneration as the Board may determine. Subject to the next paragraph of this Article, no Director or proposed Director shall be disqualified from contracting with the Company, either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or in any other manner whatever. No such contract or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested shall be liable to be voided. Any Director so contracting or being so interested shall not be liable to account to the Company for any profit realized.
- (b) A Director who is in any way, directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the Meeting of the Board at which the question of entering into the contract or arrangement is first discussed or at the first Meeting of the Board after he becomes interested. A notice to the Board given by a Director that he is a Shareholder, director or member of a specified company or firm and is to be regarded as interested in all transactions with such company or firm shall be a sufficient declaration of interest. After such notice, it shall not be necessary to give any further notice relating to any subsequent transaction with such company or firm, provided that the notice is given at a Meeting of the Board or the Director giving the same takes reasonable steps so that it is read at the next Board Meeting after it is given.
- (c) Subject to the provisions of the last two paragraphs, a Director may vote in respect of any contract or arrangement in which he is interested, and if he does so vote his vote shall be counted and he may be counted, whether he votes or abstains, in ascertaining whether a quorum is present at any Meeting at which any such contract or arrangement shall come before the Board for consideration.
- (d) Any Director may act by himself or his firm in a professional capacity for the Company (otherwise than as Auditor), and he or his firm shall be entitled to remuneration for such professional services.



77. The office of a Director shall be vacated ipso facto in any one of the following events:
- (a) If he resigns his office by notice in writing to the Company and such resignation is accepted by the Board;
  - (b) If he be found or becomes of unsound mind, mentally incompetent or is interdicted, or becomes bankrupt;
  - (c) If he be prohibited from being a Director by reason of any Order made under the Act;
  - (d) If he be removed from office pursuant to a Special Resolution of the Company.

#### PROCEEDINGS OF THE BOARD

78. The Board may meet in Newfoundland or elsewhere as the Directors may from time to time determine. The President may at any time and a Director may upon at least fourteen (14) days' notice in writing request the Secretary to convene a Board Meeting. Upon such a request, the Secretary shall convene a Meeting. Notice of Board Meetings of at least seven (7) days by mail or at least two (2) days by telex, telegram or cable shall be given to all Directors. Meetings of the Board may be held at any time without formal notice if all the Directors are present or those absent have waived notice or have signified their consent in writing or by telex, telegram or cable addressed to the Secretary to the Meeting being held in their absence. Notice of any Meeting or any irregularity in any Meeting or in the notice thereof may be waived by any Director. Questions arising at any meeting shall be determined by a majority of votes. In case of an equality of votes on any question the Chairman of the Meeting shall have a casting vote.
79. The quorum necessary for the transaction of the business of the Board may be fixed by the Board and, if not fixed, shall be three (3).
80. The Board may act notwithstanding any vacancy in the number of Directors so long as a quorum remains in office. Notwithstanding the foregoing, if the number of Directors continuing in office is less than the quorum of Directors necessary for the transaction of the business of the Board, the Directors continuing in office may act to fill any or all of the vacancies on the Board or summon a General Meeting of the Company.
81. The Chairman or, in his absence, the President shall preside as Chairman at every meeting of the Board. If at any meeting of the Board the Chairman or the President be not present within fifteen (15) minutes after the time the Meeting is convened for, the Directors present may choose one of their number to be the Chairman of the Meeting.
82. A Meeting of the Board at which a quorum is present shall be competent to exercise all powers and discretions for the time being exercisable by the Board.
83. The Board may delegate any of its powers to committees, or a member or members of the Board as it sees fit. Any committee so formed shall, in the exercise of the delegated powers, conform to any regulations that may be imposed on it by the Board. Unless specifically authorized by the Board, no such committee shall allot or issue shares, forfeit shares, make calls on shares, grant options to purchase shares, declare dividends, or create or issue funded debt.
84. If and when there are more than six (6) Directors the Board may from time to time elect from its members an Executive Committee consisting of such number of members as the Board may from time to time determine, but not less than three (3), who shall hold office as members of the Executive Committee during the pleasure of the Board. Unless otherwise determined by the Board, the Chairman, President and Sec-





retary of the Company shall be Chairman, Deputy Chairman and Secretary of the Executive Committee respectively. In the absence of the Chairman, the Deputy Chairman shall act as Chairman of the Executive Committee. A quorum for meetings of the Executive Committee shall be a majority of its members or such greater number as shall be fixed from time to time by the Executive Committee. Questions arising at any meeting shall be determined by a majority of votes. So long as a quorum of the Executive Committee remains in office, the continuing members may act notwithstanding any vacancy in the Committee. Subject to the foregoing the Executive Committee may, from time to time, make, vary or repeal regulations governing the convening and conduct of its meetings.

So long as the Board is not sitting, the Executive Committee shall possess and may exercise all powers of the Board in the management and direction of the operations of the Company, subject to the restrictions of Article 83 hereof and any others from time to time imposed by the Board, in such manner as the Executive Committee shall deem best in the interests of the Company.

A Record of all decisions taken by each Meeting of the Executive Committee shall be kept in a minute book provided for the purpose. At each Meeting of the Board the Executive Committee shall table any minutes of the Executive Committee held since the last Board Meeting.

85. A Resolution in writing signed by all Directors entitled to receive notice of a Meeting of the Board or by all the members of a committee for the time being shall be as valid and effectual as a Resolution passed at a Meeting of the Board or, as the case may be, of such committee duly called and constituted. Such Resolution may be contained in one document or in several counterparts in like form each signed by one or more of the Directors or members of the committee concerned.
86. All acts of the Board or a committee of the Board or any person acting as a Director, notwithstanding it be afterwards discovered that there was some defect in the appointment of any such Director or person so acting or that any of them had vacated his office, shall be as valid as if every such person had been duly appointed and had continued to be a Director.

#### FIXING RECORD DATE

87. The Board may fix a time in the future not exceeding thirty (30) days preceding the date of any General Meeting or the date fixed for the payment of any dividend or the making of any distribution or the delivery of evidences of any interests, or for the allotment of any rights, or when any change or conversion or exchange of shares shall go into effect as a record date for the determination of the Shareholders entitled to notice of, and to vote at, any such meeting, or, as the case may be, entitled to receive any such dividend or distribution or interests or any such allotment of rights or to exercise the rights in respect to any such change, conversion or exchange of shares, and in such case only such Shareholders as shall be Shareholders of record at the close of business on the date so fixed shall be entitled to such notice of and to vote at such Meeting or as the case may be to receive such dividend, distribution, interests or allotment of rights or to exercise such rights, notwithstanding any transfer of any shares on the books of the Company after the record date fixed as aforesaid.



## POWERS AND DUTIES OF DIRECTORS

88. The business of the Company shall be managed by the Board, which may exercise all such powers of the Company as are not by the Act or by these Articles required to be exercised by the Company in General Meeting.
89. The Board may by power of attorney appoint any company, firm or person to be the attorney or attorneys of the Company for such purposes and with such powers and subject to such conditions as it may see fit. Any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board may see fit, and authorize any such attorney to sub-delegate all or any of the powers vested in him.

## OFFICIAL SEAL

90. The Company may have an Official Seal for use within or outside of Newfoundland.

## BRANCH REGISTERS

91. The Company may keep one or more Branch Registers and appoint a transfer agent and one or more Branch transfer agents with respect to any class of the shares constituting all or part of its authorized share capital. The Board may make and vary such regulations as it may see fit respecting the keeping of any such Registers and appointment of transfer agents.

## OFFICERS

92. The officers of the Company shall be a Chairman, a President, one or more Vice-Presidents as the Board shall deem advisable, a Secretary, a Treasurer and such other officers as may from time to time be determined by the Board. None of such officers except the Chairman and the President need be a member of the Board. Any two (2) offices may be held by the same person except those of Chairman and Secretary and President and Secretary.
93. The Board shall annually or oftener, as may be required, elect from among its own number a Chairman and a President and appoint one or more Vice-Presidents, a Secretary and a Treasurer. If any one of such offices shall at any time be or become vacant by reason of death, resignation, disqualification or otherwise, the Board may by Resolution elect or appoint a person to fill such vacancy.
94. The Board may from time to time appoint such other officers, assistant officers and agents as it shall deem necessary, who shall have such authority and shall perform such duties as from time to time shall be prescribed by the Board.
95. In the case of the absence or inability to act of any officer of the Company or for any other reason that the Board may deem sufficient, the Board may delegate all or any of the powers of such officer to any other officer or to any Director for the time being.
96. The Board shall fix the remuneration of the Chairman and President and, subject to the direction of the Board, the President shall fix the remuneration of all other officers elected or appointed by the Board. Any officer, agent, servant or employee of the Company may receive such remuneration as may be determined for his services in such capacity notwithstanding that he is a Director or Shareholder of the Company.
97. All officers, assistant officers and agents elected or appointed by the Board shall be subject to removal by resolution of the Board at any time with or without cause.





## CHAIRMAN

98. The Chairman shall, subject to the Articles, preside at all meetings of the Board, General Meetings and other Meetings of Shareholders and he shall have such other powers and duties as the Board may from time to time determine. In the event of the resignation, death or incapacity of the President, the Chairman shall act as Chief Executive Officer and have all the powers and responsibilities of the President until such time as the Board designates another person to act as Chief Executive Officer or elects a President.

## PRESIDENT

99. The President shall be the Chief Executive Officer of the Company. He shall have general and active management of the business and affairs of the Company and without limitation to the foregoing:
- (a) he shall have general superintendence and direction of all the other officers of the Company;
  - (b) he shall submit the annual report of the Board, if any, and the annual balance sheets and financial statements of the business and affairs and reports on the financial position of the Company to the Annual General Meeting and from time to time he shall report to the Board all matters within his knowledge which the interest of the Company requires to be brought to their attention;
  - (c) he shall be ex-officio a member of all standing committees.
100. The tenure of office of the Chairman or the President shall ipso facto terminate if he ceases to be a Director.

## VICE-PRESIDENT

101. The Vice-President, or, if more than one, the Vice-Presidents shall exercise such powers and authority and perform such duties as may from time to time be prescribed by the Board or by the Chief Executive Officer.

## SECRETARY

102. The Secretary shall have custody of the minute books of the Company. He shall, when directed so to do by the Board or the President, issue or cause to be issued notices of Meetings of the Board, General Meetings and other Meetings of Shareholders. He shall sign such instruments as require his signature and shall perform such other duties as are incident to his office or as the Board or the President may from time to time properly require him to do.

## TREASURER

103. The Treasurer shall, subject, to the direction and control of the President and the person designated by the Board as Chief Financial Officer, have the care and custody of all the funds and securities of the Company and shall deposit the same in the name of the Company in such bank or banks or with such depositary or depositaries as the Board may direct. He shall sign or countersign such instruments as require his signature and shall perform all duties incident to his office or that are properly required of him by the Board or the President. He may be required to give such bond for the faithful performance of his duties as the Board in its discretion may require and no Director shall be liable for failure to require any bond or for the insufficiency of any



bond or for any loss by reason of the failure of the Company to receive any indemnity thereby provided.

#### PENSIONS AND ALLOWANCES

104. The Board may grant pensions, gratuities, or annuities or other allowances including allowances on death, to any person or to the widow or dependants of any person in respect of services rendered by him to the Company or indirectly as an executive officer or employee of any subsidiary company of the Company or of its holding company (if any), notwithstanding that he may be or may have been a Director of the Company and may make payments towards insurances or trusts for such purposes in respect of such persons and may include rights in respect of such pensions, gratuities, annuities and allowances in the terms of engagement of any such person.

#### THE SEAL

105. The Seal shall be affixed by the Secretary, or in his absence by any other officer of the Company, to all instruments in writing requiring execution under the Seal of the Company. All forms of certificate representing any form of security shall be issued under the Seal and bear the signatures of the Chairman or the President and the Secretary. The signature of the Chairman, the President and Secretary respectively, may be printed, engraved or otherwise mechanically reproduced on the certificates and such printed, engraved or otherwise mechanically reproduced signatures shall for all purposes be deemed the signatures of such Chairman, President and Secretary respectively. With respect to shares for which the Board has appointed one or more transfer agents and registrars, certificates for such shares shall be countersigned by or on behalf of one of the said transfer agents and registrars.

#### EXECUTION OF INSTRUMENTS

106. Instruments in writing requiring execution, under the Seal or otherwise, by the Company shall be signed by any two (2) persons holding office as Chairman, President or Vice-President, or any one person holding one of the foregoing offices together with any one of the Secretary or the Treasurer, (provided that in no case shall the same person sign and countersign the same instrument) and all instruments in writing so executed shall be binding upon the Company.

The Board may, however, from time to time by resolution appoint any officer, agent or employee of the Company or other person whom it may select to execute and deliver in the name and on behalf of the Company, instruments in writing generally or specific instruments in writing which may be necessary or advisable for the purposes of the Company and all instruments so executed and delivered shall be binding upon the Company.

The Board shall also have power from time to time to authorize by resolution such officer or officers of the Company as it may select to execute and deliver in the name and on behalf of the Company and under its Seal a power of attorney appointing any officer, agent or employee of the Company or other person the attorney or attorneys of the Company to execute and deliver in the name and on behalf of the Company instruments in writing generally or specific instruments in writing which may be necessary or advisable for the purposes of the Company. Any and all such instruments in writing made, executed and delivered pursuant to the authority thereby conferred shall have full force and effect and be binding upon the Company.





The Secretary or another officer in his absence may certify that any instrument in writing, minutes or extract thereof is a true copy and he may affix the Seal thereto.

107. All cheques, promissory notes, drafts, bills of exchange and other negotiable and transferable instruments and all receipts for moneys paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Board shall from time to time by resolution determine.

#### BORROWING POWERS

108. The Board may from time to time at its discretion raise or borrow money for the purpose of the Company's business and may secure the repayment of the same by mortgage or charge upon the undertaking and the whole or any part of the assets and property of the Company (present and future) including its uncalled or unissued capital, and may issue bonds, debentures or debenture stock payable to bearer or otherwise give and grant securities under the Bank Act and generally raise or borrow money for the purposes of the Company, secured or charged upon the whole or any part of the assets and properties of the Company, or otherwise as may be advisable or necessary in the interests of the Company.
109. Any bonds, debentures, debenture stock or other securities, issued or to be issued by the Company, shall be under the control of the Board, which may issue them assignable free from any equities between the Company and the person to whom the same may be issued and/or upon such other terms and conditions and in such manner and for such consideration as it shall consider to be for the benefit of the Company.
110. Any bonds, debentures, debenture stock or other securities may be issued at a discount, premium, or otherwise and with any special privileges as to redemption, surrender, drawing, conversion or otherwise.

#### DIVIDENDS

111. Subject to the rights and interests of the holders of any shares, the Board may, from time to time, by resolution, declare dividends and pay the same out of the funds of the Company available for that purpose.
112. The resolution of the Board declaring a dividend may direct payment of such dividend wholly or in part by the distribution of specific assets and in particular of paid-up shares, debentures or debenture stock of the Company, or of any other company, or in any one or more of such ways. Where any difficulty arises in regard to the distribution the Board may settle the same as it thinks expedient, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that such payments shall be made to any Shareholders upon the footing of the value so fixed in order to secure equality of distribution, and may vest any such specific assets in trustees upon such trust for the persons entitled to the dividends as may seem expedient to the Board.
113. The Board may from time to time pay to the Shareholders such interim dividends as appear to the Board to be justified by the position of the Company. The Board may also pay the fixed dividend payable on any preference shares of the Company half-yearly, quarter-yearly or otherwise on fixed dates, whenever such position, in the opinion of the Board, justifies that course.



114. The Board may deduct from any dividend payable to any Shareholder all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.
115. No dividend shall bear interest against the Company. All dividends unclaimed for two (2) years after having been declared may be vested in the Company or otherwise made use of by the Board for the benefit of the Company. Any cheque drawn by the Company to effect payment of dividends and not cashed within two (2) years of the date of the declaration of a dividend may be treated as an unclaimed dividend by the Company.
116. Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the mail addressed to the holder at his registered address or, in the case of joint holders, addressed to the holder whose name stands first on the Register in respect of the shares. Every such cheque or warrant shall, unless the holder otherwise directs, be made payable to the order of the registered holder or, in the case of joint holders to the order of the holder whose name stands first on the Register in respect of such shares, and shall be sent at his or their risk. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable in respect of the shares held by such joint holders.

#### RESERVES

117. The Board may, in accordance with generally accepted Canadian accounting principles, set aside out of the profits of the Company such sums as it thinks proper as a reserve or reserves.

#### CAPITALIZATION OF PROFITS

118. The Company in General Meeting may, upon the recommendation of the Board at any time and from time to time, pass a Resolution capitalizing, in such manner as may be authorized by such Resolution, any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of retained earnings or otherwise available for distribution, and not required for the payment of the fixed dividends on any preference shares of the Company.
119. Whenever a Resolution passed pursuant to Article 118 shall have been passed the Board shall make all appropriations and applications of the undivided profits resolved to be capitalized thereby, and all allotments and issues of fully-paid shares or debentures, if any, and generally shall do all acts and things required to give effect thereto, with full power to the Board to make such provision by payment in cash or otherwise as it thinks fit for the case of shares or debentures and also to authorize any person to enter on behalf of all the Shareholders entitled thereto into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further shares or debentures to which they may be entitled upon such capitalization, or (as the case may require) for the payment up by the Company on their behalf, by the application thereto of their respective proportions of the profits resolved to be capitalized, of the amounts or any part of the amounts remaining unpaid on their existing shares, and any agreement made under such authority shall be effective and binding on all such Shareholders.

#### ACCOUNTS

120. The Board shall cause true accounts to be kept:





- (a) Of the sums of money received and expended by the Company and the matters in respect of which such receipt and expenditure take place; and
  - (b) Of all sales and purchases of goods and services by the Company; and
  - (c) Of the assets and liabilities of the Company.
121. The books of account shall be kept at the Office or at such other place or places as the Board may think fit and shall always be open to the inspection of the Directors. No Shareholder (other than a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by law or authorized by the Board.
122. The Board shall from time to time cause to be prepared and to be laid before the Company in Annual General Meeting in every year financial statements prepared in accordance with generally accepted accounting principles and Directors' and Auditors' reports.
123. A copy of the financial statements which are to be laid before the Company in Annual General Meeting and of the Directors' and Auditors' report shall be sent to every Shareholder not less than fifteen days before the date of the Meeting.

#### AUDIT

124. The Auditors shall be appointed by the Company at each Annual General Meeting to hold office until the next Annual General Meeting.

#### NOTICES

125. Any notice or document may be served by the Company on any Shareholder either personally or by mailing it in a prepaid envelope or wrapper addressed to such Shareholder at his registered address appearing in the Register. In the case of joint holders of a share, all notices shall be given or documents sent to that person of the joint holders whose name stands first in the Register, and if so given or sent shall be sufficient notice to all the joint holders.
126. Any notice or document, if served by mail, shall be deemed to have been served at the time when the same was put into the mail. In proving such service, it shall be sufficient to prove that the envelope or wrapper was properly addressed, stamped and mailed.
127. Any notice or document delivered or sent by mail to any Shareholder, in accordance with these Articles, shall notwithstanding that such Shareholder be then dead or bankrupt, be deemed to have been duly served in respect of any share registered in the name of such Shareholder as sole or joint holder. Such service shall for all purposes be deemed a sufficient service of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share.
128. The signature to any notice to be given by the Company may be lithographed, written, printed or otherwise mechanically reproduced.

#### WINDING-UP

129. If the Company shall be wound up, the Liquidator may, with the sanction of an Extraordinary Resolution of the contributories divide among the contributories in



specie or kind the whole or any part of the assets of the Company and may, with the like sanction, vest the whole or any part or such assets in Trustees upon such trusts for the benefit of the contributories as the Liquidator, with the like sanction, shall think fit.

#### INDEMNITY

130. Each and every Director, officer and servant of the Company shall be deemed to have assumed office on the express understanding and agreement and condition that every Director, officer and servant of the Company and his heirs, executors and administrators and estate and effects respectively shall from time to time and at all times be indemnified and saved harmless out of the funds of the Company from and against: (a) all costs, charges and expenses whatsoever, which such Director, officer and servant sustains or incurs in or about any action, suit or proceeding which is brought, commenced or prosecuted against him, for or in respect of any act, deed, matter or thing whatsoever made, done or permitted by him in or about the execution of the duties of his office; and (b) all other costs, charges and expenses which he sustains or incurs in or about or in relation to the affairs of the Company; except such costs, charges or expenses as are occasioned by his own wilful neglect or default.
131. The Board is hereby authorized from time to time to cause the Company to give indemnities to any Director, officer, servant or other person who has undertaken or is about to undertake any liability on behalf of the Company or any company controlled by it and to secure such Director, officer, servant or other person against loss by hypothec, mortgage and charge upon the whole or any part of the property of the Company moveable and immoveable, real and personal, by way of security and any action from time to time taken by the Directors under this paragraph shall not require approval or confirmation by the Shareholders.
132. No Director, officer and servant for the time being of the Company shall be liable for the acts, receipts, neglects or defaults of any other Director, officer and servant, or for joining in any receipt or act for conformity, or for any loss, damage or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the Board for or on behalf of the Company, or for the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to the Company shall be placed out or invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm or corporation with whom or which any moneys, securities or effects shall be lodged or deposited or for any other loss, damage or misfortune whatever which may happen in the execution of the duties of his respective office or trust or in relation thereto unless the same shall happen by or through his own wilful act or default.





PREFERRED SHARES SERIES C PROVISIONS

The Preferred Shares Series C, in addition to the rights, privileges, preferences, conditions and restrictions attached to the Preferred Shares as a class, shall have attached thereto the following rights, privileges, preferences, conditions and restrictions (collectively the "Preferred Shares Series C Series Provisions"):

Interpretation

1. (a) The following words and phrases whenever used in these Preferred Shares Series C Series Provisions shall have the following meanings, unless there be something in the context inconsistent therewith:

"Additional Equity Shares" means any Equity Shares issued at any time after the Issue Date (including Class A Shares) other than (a) Common Shares issued upon conversions of Preferred Shares Series A, Preferred Shares Series B or Preferred Shares Series C, (b) Equity Shares issued upon exercise of stock options heretofore or hereafter granted to officers or employees of the Company or of any subsidiary or of any affiliate designated as such by the directors; and (c) Equity Shares issued to



any such officers or employees or to a trustee on their behalf pursuant to any stock purchase or analogous plan; provided that a subdivision or consolidation of Equity Shares or a reclassification or change of Equity Shares shall not constitute an issue of Additional Equity Shares.

"Adjusted Consolidated Net Earnings Available for Dividends" means all the gross earnings and income of the Company and all its subsidiaries (if any) from all sources, less all administrative, selling and operating charges and expenses (except such charges and expenses as are chargeable to capital account in accordance with generally accepted accounting principles) of every character of the Company and all its subsidiaries (excluding extraordinary gains or losses on the disposal of investments and fixed assets) arrived at on a consolidated basis in accordance with generally accepted accounting principles; if, at the time of determining Adjusted Consolidated Net Earnings Available for Dividends for any past period in connection with a proposed issue of Preferred Shares or any other shares ranking in priority to or on a parity with the Preferred Shares Series C, the Company or any subsidiary has acquired, is in





the process of acquiring, or proposes to acquire, any property or any shares of any other company (sufficient with any shares of such company already owned by the Company or a subsidiary to result in such other company becoming a subsidiary) and if the net proceeds of the then proposed issue of shares are to be applied directly or indirectly towards the cost of or in reimbursement of the cost of the acquisition of such property or shares (as to all of which a resolution of the board of directors shall be conclusive and binding) then the net earnings or net losses of such property or such other company (calculated in accordance with the provisions herein contained respecting Adjusted Consolidated Net Earnings Available for Dividends) for the whole of the period for which Adjusted Consolidated Net Earnings Available for Dividends are to be computed shall, if in the opinion of the Company's auditors the Company has access to data sufficient to enable such auditors to determine such net earnings or net losses, be treated as net earnings or net losses, as the case may be, in the computation of Adjusted Consolidated Net Earnings Available for Dividends. As at the time of determining Adjusted Consolidated Net Earnings



Available for Dividends for any past period in connection with a proposed issue of shares and if the net proceeds of the then proposed issue of shares are to be applied in whole or in part to repay indebtedness of the Company or any subsidiary then the interest paid by the Company or the subsidiary, as the case may be, during the period of time in question with respect to the indebtedness to be repaid shall not be deducted as an expense in the computation of Adjusted Consolidated Net Earnings Available for Dividends and taxes paid or payable shall be appropriately adjusted.

"business day" shall be a day other than a Saturday, a Sunday or any other day that is treated as a holiday in the municipality where the Company's principal office in Canada is situated.

"Class A Shares" means the Common Shares held by the Company and which are not outstanding and which have been designated by legislation of the Province of Newfoundland as Class A Shares of the Company for so long as such shares are held by the Company and are not outstanding.





"close of business" means the normal closing hour of the principal office in the City of Toronto of the transfer agent for the Preferred Shares Series C.

"Conversion Basis" at any time means the number of Common Shares into which one (1) Preferred Share Series C shall be convertible at such time in accordance with the provisions of clause 3 hereof.

"Equity Shares" means the Common Shares as said shares are constituted on the Issue Date and shares of any other class or other securities, as the case may be, resulting from the reclassification of such Common Shares as provided in clause 3 hereof.

"Equivalent Conversion Price" at any time means the quotient obtained by dividing the sum of \$5.50 by the Conversion Basis in effect at such time.

"Issue Date" means the date upon which any of the Preferred Shares Series C are first issued.



"Market Price" at any date means the weighted average of the closing board lot trading prices per share of the Common Shares on The Toronto Stock Exchange (or, if the Common Shares are not listed on The Toronto Stock Exchange, on such stock exchange on which such shares are listed as may be selected for the purpose by the directors) during the twenty (20) most recent trading days on which there have been board lot trades immediately prior to the fourth (4th) day preceding such date. In the event that the Common Shares are not listed on any stock exchange, the Market Price of the Common Shares shall be determined by the directors.

"Preferred Shares Series A" means the 7% cumulative convertible redeemable retractable preferred shares series A with a par value of \$5.50 each of the Company, being the first series of Preferred Shares.

"Preferred Shares Series B" means the convertible retractable preferred shares series B with a par value of \$5.50 each of the Company, being the second series of Preferred Shares.





"Shareholders' Equity" means at any given time an amount equal to the aggregate of retained earnings or deficit and contributed surplus of the Company and its subsidiaries and the amount paid-up on issued and outstanding Preferred Shares, shares of the Company ranking on a parity with or junior to the Preferred Shares and Common Shares of the Company, arrived at on a consolidated basis in accordance with generally accepted accounting principles.

"subsidiary company" or "subsidiary" means any corporation or company of which more than fifty per cent (50%) of the outstanding shares carrying voting rights at all times (provided that the ownership of such shares confers the right at all times to elect at least a majority of the board of directors of such corporation or company) are for the time being owned by or held for the Company and/or any other corporation or company in like relation to the Company and includes any corporation or company in like relation to a subsidiary and, in addition, means any other corporation or company the revenue and expense accounts of which may, from time to time, be consolidated by the Company in the revenue and expense accounts



forming part of annual financial statements of the Company in accordance with generally accepted accounting principles.

"Trading Price" at any date means the weighted average of all board lot trading prices per share of the Common Shares on The Toronto Stock Exchange (or, if the Common Shares are not listed on The Toronto Stock Exchange, on such stock exchange on which such shares are listed as may be selected for such purpose by the directors) during all trading days occurring during the period of ninety (90) days immediately prior to the fourth (4th) day preceding such date; provided that if the number of Common Shares traded during the said ninety (90) day period required for the determination of Trading Price is less than 100,000, such period of time shall be extended backward before the commencement of such ninety day (90) period by such additional number of trading days as may be required to permit not less than 100,000 Common Shares to have traded during the trading days occurring during the initial ninety (90) day period as so extended and the Trading Price shall be calculated as aforesaid for the increased number of trading days. In the





event that the Common Shares are not listed on any stock exchange, the Trading Price of the Common Shares shall be determined by the directors as aforesaid based on trading in the over-the-counter market.

(b) Clause 1 of the Preferred Shares Class Provisions entitled "Interpretation" is incorporated herein.

(c) In the event that any date on which any dividends on the Preferred Shares Series C are payable by the Company, or on or by which any other action is required to be taken by the Company under these Preferred Shares Series C Series Provisions is not a business day, then such dividend shall be payable, or such other action shall be required to be taken, on or by the next succeeding day which is a business day.

#### Dividends

2. The holders of the Preferred Shares Series C shall be entitled to receive, and the Company shall pay thereon, as and when declared by the directors out of the moneys of the Company properly applicable to the payment of dividends, fixed cumulative preferential cash dividends at the rate of 8% per annum on the amounts from time to time paid up thereon, payable quarterly on the last day of March, June, September and December in each year.



The initial dividend, if declared, will be payable on the last day of the first quarter following the Issue Date. If on any dividend payment date the dividend payable on such date is not paid in full on all the Preferred Shares Series C then issued and outstanding, such dividend or the unpaid part thereof shall be paid on a subsequent date or dates to be determined by the directors on which the Company shall have sufficient moneys properly applicable, under the provisions of any applicable law, to the payment of same. Fixed cumulative preferential cash dividends on the Preferred Shares Series C shall accrue from the Issue Date. The holders of the Preferred Shares Series C shall not be entitled to any dividend other than or in excess of the cumulative preferential cash dividends hereinbefore provided. Cheques of the Company payable in lawful money of Canada at par at any branch of the Company's bankers for the time being in Canada shall be issued in respect of the said dividends (less any tax required to be deducted) and payment thereof shall satisfy such dividends.

### Conversion

3. (a) Right of Conversion. The holders of the Preferred Shares Series C shall have the right, at any time following the Issue Date, up to the close of business on the Termination Date (as defined in clause 4 of these Preferred Shares Series C Series Provisions), subject as hereinafter provided and to any adjustment





to the Conversion Basis as hereinafter provided, to convert all or any of their Preferred Shares Series C into Common Shares, on the basis of 0.55 of a Common Share for each Preferred Share Series C converted.

- (b) Conversion Procedure. The conversion right herein provided for may be exercised by notice in writing given to the transfer agent for the time being of the Company for the Preferred Shares Series C at its principal office in the City of Toronto, or at any other city or cities as the Company may from time to time designate, accompanied by the certificate or certificates representing the Preferred Shares Series C in respect of which the holder thereof desires to exercise such right of conversion. Such notice shall be signed by such holder or his duly authorized attorney and shall specify the number of Preferred Shares Series C which the holder desires to have converted. The certificate or certificates for such shares need not be endorsed, except in the circumstances hereinafter contemplated, and the certificates for Common Shares resulting from conversion shall be issued in the name of the registered holder of the Preferred Shares Series C



converted or in such name or names as such registered holder may direct in writing (either in the notice referred to above or otherwise), provided that such registered holder shall pay any applicable security transfer taxes. If the certificates for Common Shares resulting from conversion are to be issued in a name other than that of the registered holder of the Preferred Shares Series C, the transfer form on the back of the certificate(s) representing such Preferred Shares Series C shall be endorsed by the registered holder thereof or his duly authorized attorney, with signature guaranteed in a manner satisfactory to the Company's transfer agent for the Preferred Shares Series C. If less than all the Preferred Shares Series C represented by any certificate or certificates accompanying any such notice are to be converted, the holder shall be entitled to receive, at the expense of the Company, a new certificate representing the Preferred Shares Series C comprised in the certificate or certificates surrendered as aforesaid which are not to be converted.

- (c) Effective Date of Conversion. Subject as hereinafter provided in this clause 3, Preferred Shares Series C shall be deemed to have been converted into Common





Shares on the respective dates of surrender of certificates representing the Preferred Shares Series C to be converted accompanied by notice in writing as provided in subclause 3(b) hereof, notwithstanding any delay in the delivery of certificates representing the Common Shares into which such Preferred Shares Series C have been converted.

(d) Adjustment of Conversion Basis.

- (i) If the Company shall declare a dividend or make a distribution on its outstanding Common Shares payable in Common Shares, or shall subdivide its outstanding Common Shares into a greater number of shares, or shall consolidate its outstanding Common Shares into a smaller number of shares (any such event being herein called a "Common Share Reorganization") then the Conversion Basis shall be proportionately adjusted immediately after the record date at which the holders of Common Shares are determined for purposes of the Common Share Reorganization and any holder of Preferred Shares Series C who has not exercised his right of conversion prior to the effective date of such Common Share Reorganization shall be entitled to receive and shall accept, upon the exercise of



such right at any time on such effective date or thereafter, in lieu of the number of Common Shares to which he was theretofore entitled upon conversion, the aggregate number of Common Shares of the Company that such holder would have been entitled to receive as a result of such Common Share Reorganization if, on the effective date thereof, he had been the registered holder of the number of Common Shares to which he was theretofore entitled upon conversion.

- (ii) If there is a capital reorganization of the Company not covered by subclause 3(d)(i) hereof or a consolidation or merger or amalgamation of the Company with or into any other company including by way of a sale whereby all or substantially all of the Company's undertaking and assets would become the property of any other company (any of which is herein called a "Capital Reorganization"), any holder of Preferred Shares Series C who has not exercised his right of conversion prior to the effective date of such Capital Reorganization shall be entitled to receive and shall accept, upon the exercise of such right at any time on the effective date or thereafter, in





lieu of the number of Common Shares to which he was theretofore entitled upon conversion, the aggregate number of shares or other securities or property of the Company or of the company resulting from or purchasing under the Capital Reorganization, that such holder would have been entitled to receive as a result of such Capital Reorganization if, on the effective date thereof, he had been the registered holder of the number of Common Shares to which he was theretofore entitled upon conversion; provided that no such Capital Reorganization shall be carried into effect unless, in the opinion of the directors, all necessary steps shall have been taken to ensure that the holders of the Preferred Shares Series C shall thereafter be entitled to receive such number of shares or other securities or property of the Company or of the company resulting from or purchasing under the Capital Reorganization, subject to adjustment thereafter in accordance with provisions similar, as nearly as may be, to those contained in this clause 3.

- (iii) If the Company shall issue options, rights or warrants to holders of its outstanding Common



Shares under which such holders are entitled to subscribe for or purchase Additional Equity Shares at a subscription or purchase price per share less than the Market Price in effect on the record date for such issue (any such event being herein called a "Rights Offering"), then the Conversion Basis shall be adjusted immediately after the record date at which the holders of Common Shares are determined for the purpose of the Rights Offering by dividing into \$5.50 the adjusted Equivalent Conversion Price determined by multiplying the Equivalent Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date plus a number determined by dividing the aggregate subscription price of the total number of Additional Equity Shares offered for subscription or purchase under the Rights Offering by the Market Price on such record date and of which the denominator shall be the total number of Common Shares outstanding on such record date plus the total number of Additional Equity Shares offered for subscription or purchase. The resulting quotient, adjusted to the nearest 1/100th, shall thereafter be the





Conversion Basis until further adjusted as provided in this clause 3. If at the date of expiry of the options, rights or warrants less than all of them have been exercised so that less than all of the Equity Shares issuable with respect thereto have been issued, then the Conversion Basis shall be re-adjusted immediately after the date of expiry to the Conversion Basis which would have been in effect on such date of expiry if the only options, rights or warrants issued had been those that were exercised.

- (iv) If the Company shall at any time or from time to time in any manner issue or sell any shares or securities convertible into or exchangeable for Common Shares (such convertible or exchangeable shares or securities being herein called "Convertible Securities"), whether or not the rights to exchange or convert the same are immediately exercisable, and the price per share for which Common Shares are issuable upon such conversion or exchange (determined by dividing (a) the total amount received or receivable by the Company as consideration for the issue of such Convertible Securities plus the minimum aggregate



amount of additional consideration, if any, payable to the Company upon the conversion or exchange of all such Convertible Securities, by (b) the total maximum number of Common Shares issuable upon the conversion or exchange of all such Convertible Securities) shall be less than the Market Price in effect immediately prior to the time of such issue or sale of Convertible Securities (any such event being herein called an "Issue of Convertible Securities"), then the Conversion Basis shall be adjusted immediately after such issue or sale by dividing into \$5.50 the adjusted Equivalent Conversion Price determined by multiplying the Equivalent Conversion Price in effect at such time by a fraction, of which the numerator shall be the total number of Common Shares outstanding at such date plus a number determined by dividing the aggregate issue or sale price of the total number of Common Shares issuable upon the conversion or exchange of all such Convertible Securities by the Market Price on the date of such issue or sale and of which the denominator shall be the total number of Common Shares outstanding on the date of such issue or sale plus the total number of Common





Shares issuable upon such conversion or exchange. The resulting quotient, adjusted to the nearest 1/100th, shall thereafter be the Conversion Basis until further adjusted as provided in this clause 3. If, at the date of expiry of any conversion or exchange rights of or appertaining to any Convertible Securities, less than all of the Convertible Securities have been converted or exchanged so that less than all of the Common Shares issuable with respect thereto have been issued, then the Conversion Basis shall be re-adjusted immediately after such date of expiry to the Conversion Basis which would have been in effect on such date of expiry if the only Convertible Securities issued or sold had been those that were converted or exchanged. For the purposes of this subclause 3(d)(iv), Convertible Securities shall be deemed to be issued on the date on which the Company enters into an enforceable agreement to issue such Convertible Securities.

- (v) If the Company shall at any time or from time to time issue or sell Additional Equity Shares, other than pursuant to the exercise of a conversion or



exchange right attaching to a Convertible Security, at a price per share less than the Market Price in effect on the date of such issue or sale and such issue or sale does not constitute a Common Share Reorganization, a Capital Reorganization or a Rights Offering (any such event being herein called a "New Issue"), then the Conversion Basis shall be adjusted immediately after the date of such issue or sale by dividing into \$5.50 the adjusted Equivalent Conversion Price determined by multiplying the Equivalent Conversion Price in effect on the date of issue or sale by a fraction, of which the numerator shall be the total number of Common Shares outstanding on the date of issue or sale plus a number determined by dividing the aggregate of the subscription price of the total number of Additional Equity Shares so issued or sold by the Market Price on the date of issue or sale and of which the denominator shall be the total number of Common Shares outstanding on the date of such issue or sale plus the total number of Additional Equity Shares issued or sold. The resulting quotient, adjusted to the nearest 1/100th, shall thereafter be the Conversion Basis until further





adjusted as provided in this clause 3. For the purposes of this subclause 3(d)(v), Additional Equity Shares shall be deemed to be issued on the date on which the Company enters into an enforceable agreement to issue such Additional Equity Shares.

- (vi) If the Company shall issue or distribute to the holders of its outstanding Common Shares, shares of any class other than Common Shares, or options, rights or warrants, or evidences of indebtedness or any other assets (apart from cash) and such issuance or distribution does not constitute a Common Share Reorganization, a Rights Offering, an Issue of Convertible Securities or a New Issue (any such event being herein called a "Special Distribution"), then the Conversion Basis shall be adjusted immediately after the record date at which the holders of Common Shares are determined for purposes of the Special Distribution by dividing into \$5.50 the adjusted Equivalent Conversion Price determined by multiplying the Equivalent Conversion Price in effect on the record date by a fraction, of which the numerator shall be a number determined by multiplying the



total number of Common Shares outstanding on such record date by the Market Price on such date and deducting from the amount so obtained the aggregate fair market value, as determined by the directors, of the shares, options, rights, warrants, evidences of indebtedness or other assets distributed in the Special Distribution and of which the denominator shall be the total number of Common Shares outstanding on such record date multiplied by the Market Price on such record date (provided that no such adjustment shall be made if the result of such adjustment would be to decrease the Conversion Basis in effect immediately before such record date). The resulting quotient, adjusted to the nearest 1/100th, shall thereafter be the Conversion Basis until further adjusted as provided in this clause 3.

- (vii) If any re-classification or other change shall be made in the outstanding Common Shares, which re-classification or other change does not constitute a Common Share Reorganization or a Capital Reorganization, then the Conversion Basis shall be adjusted in such manner as the auditors of the Company determine to be appropriate.





(e) Conversion Adjustment Rules. The following rules and procedures shall be applicable to Conversion Basis adjustments made pursuant to subclause 3(d) hereof:

- (i) any Common Shares (which for all purposes of this subsection (i) shall include Class A Shares) owned by or held for the account of the Company shall be deemed not to be outstanding but, for the purposes of this subsection (i), any Common Shares owned by a pension plan for employees of the Company or its subsidiaries shall not be considered to be owned by or held for the account of the Company;
- (ii) in the case of any issue by the Company of Additional Equity Shares for cash, the consideration received by the Company therefor shall be deemed to be the amount of cash received by the Company for such Additional Equity Shares before deducting therefrom the amount of any commission, discount or other expenses which have been paid or incurred by the Company for any underwriting of, or otherwise in connection with, the issuance or sale of such Additional Equity Shares;



- (iii) if the purchase price provided for in any Rights Offering referred to in subclause 3(d)(iii) is decreased, or the rate at which any Convertible Securities referred to in subclause 3(d)(iv) are convertible into or exchangeable for Common Shares is increased, the Conversion Basis shall forthwith be changed so as to increase the Conversion Basis to such Conversion Basis as would have obtained had the adjustment made upon the issuance of such Rights Offering or Convertible Securities been made upon the basis of such purchase price as so decreased or such rate as so increased, provided that the provisions of this subsection (iii) shall not apply to any such increase or decrease resulting from provisions in any such Rights Offering or Convertible Securities designed to prevent dilution if such increase or decrease shall not have been proportionately greater than the increase, if any, in the Conversion Basis to be made at the same time pursuant to the provisions of this clause 3;
- (iv) no adjustment in the Conversion Basis shall be required unless a decrease of at least one per





cent (1%) in the prevailing Equivalent Conversion Price would result, provided, however, that any adjustment which, except for the provisions of this subsection (iv) would otherwise have been required to be made, shall be carried forward and taken into account in any subsequent adjustment;

- (v) if any question shall at any time arise with respect to adjustments in the Conversion Basis, such question shall be conclusively determined by the auditors of the Company and any such determination shall be binding upon the Company and all transfer agents and all shareholders of the Company;
- (vi) forthwith after any adjustment in the Conversion Basis pursuant to the foregoing subclause 3(d), the Company shall file with the transfer agent of the Company for the Preferred Shares Series C, a certificate certifying as to the amount of such adjustment and, in reasonable detail, the event requiring and the manner of computing such adjustment; the Company shall also at such time give written notice to the registered holders of Preferred Shares Series C of the Conversion Basis



and the Equivalent Conversion Price following such adjustment and clause 10 of the Preferred Shares Class Provisions with respect to the giving of notice of redemption shall apply mutatis mutandis to the giving of such notice; and

(vii) in the case of a New Issue for consideration other than cash, the adjustment required by subclause 3(d)(v) hereof shall be based on the fair market value of such consideration, as determined by the directors.

(f) Entitlement to Dividends. Upon any conversion of any Preferred Shares Series C pursuant to these Preferred Shares Series C Series Provisions into Common Shares, the directors of the Company shall declare and the Company shall pay to the holders of the Preferred Shares Series C, to the extent permitted by applicable law, all accrued and unpaid dividends thereon (which for such purpose shall be calculated as if such dividends were accruing on a day to day basis for the period from the expiration of the last period for which dividends thereon have been paid up to the effective date of conversion). If, under any applicable law, the directors of the Company shall be prohibited from





declaring and/or the Company shall be prohibited from paying any portion of the accrued and unpaid dividends so payable as aforesaid, the Company shall issue to each holder of the Preferred Shares Series C being converted an instrument in writing in favour of such holder which shall obligate the Company to pay the amount of the accrued and unpaid dividends not then payable to such holder on the earlier of (i) the next succeeding date upon which the Company would have been permitted by applicable law to pay dividends on the Preferred Shares Series C, whether or not such dividends shall in fact have been declared or paid or whether there shall be any Preferred Shares Series C issued and outstanding on such next succeeding date, and (ii) upon the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other distribution of assets for the purpose of winding up its affairs, provided that in respect of any payment pursuant to this subclause (ii), any holder of such instrument in writing shall participate rateably with respect to such payment with all other holders of such instruments and the holders of all such instruments shall participate rateably with respect to the entitlement to the payment of such accrued and unpaid dividends with the holders of all shares of all



series of Preferred Shares and the holders of all other shares of the Company ranking on a parity with the Preferred Shares. The registered holder of any Common Share resulting from any conversion of Preferred Shares Series C shall be entitled to rank equally with the registered holders of all other Common Shares in respect of all dividends declared payable to holders of Common Shares of record on any date after the date of conversion. Subject as aforesaid, no payment or adjustment will be made on account of any dividend, accrued or otherwise, on the Preferred Series C converted or the Common Shares resulting from any conversion.

- (g) Notice of Certain Events. If the Company intends to fix a record date for any Common Share Reorganization (other than the subdivision of outstanding Common Shares into a greater number of shares or the consolidation of outstanding Common Shares into a smaller number of shares) or for any Capital Reorganization or for any Rights Offering or Special Distribution, the Company shall, not less than twenty-one (21) days prior to such record date, notify each registered holder of Preferred Shares Series C of such intention by written notice to the extent that such particulars have been determined at the time of





giving the notice and the provisions of clause 10 of the Preferred Shares Class Provisions with respect to the giving of notice of redemption shall apply mutatis mutandis to the giving of such notice.

- (h) Avoidance of Fractional Shares. In any case where a fraction of a Common Share would otherwise be issuable on conversion of one (1) or more Preferred Shares Series C, the Company shall adjust such fractional interest by the payment by cheque of an amount equal to the then current market value of such fractional interest computed on the basis of the last board lot sale price (or the last bid price if there had been no board lot sale) for the Common Shares on The Toronto Stock Exchange (or, if the Common Shares are not listed on The Toronto Stock Exchange, on such stock exchange on which such shares are listed as may be selected for such purpose by the directors) next preceding the date of such surrender. In the event that the Common Shares are not listed on any stock exchange, the current market value of such fractional interest shall be determined by the directors.
- (i) Postponement of Issuance of Shares upon Conversion. In any case where the application of the foregoing



provisions results in an increase of the Conversion Basis taking effect immediately after the record date for a specific event, if any Preferred Shares Series C are converted after that record date and prior to completion of the event, the Company may postpone the issuance to the holder of the additional Common Shares to which he is entitled by reason of the increase of the Conversion Basis but such additional Common Shares shall be so issued and delivered to that holder upon completion of the event and the Company shall deliver to the holder an appropriate instrument evidencing his right to receive such additional Common Shares.

- (j) Reservation of Common Shares. The Company covenants and agrees that, so long as any of the Preferred Shares Series C are outstanding and entitled to the right of conversion herein provided, it will at all times reserve and hold out of its unissued Common Shares a sufficient number of unissued Common Shares to enable all of the Preferred Shares Series C outstanding to be converted upon the basis and upon the terms and conditions herein provided in this clause 3; provided that nothing herein contained shall affect or restrict the right of the Company to increase the number of its





Common Shares in accordance with the Act nor to issue such Common Shares from time to time.

Mandatory Conversion

4. In the event that at any time following the ninetieth (90th) day following the third (3rd) anniversary of the Issue Date and prior to the fifth (5th) anniversary of such date (such latter date being hereinafter referred to as the "Termination Date") the Trading Price of the Common Shares is not less than one hundred and thirty per cent (130%) of the Equivalent Conversion Price then in effect, the right of a holder of Preferred Shares Series C to convert the same into Common Shares, as hereinbefore provided in clause 3 of these Preferred Shares Series C Series Provisions, shall be deemed to have been exercised by such holder as at the close of business on the last day of the period by reference to which the Trading Price of the Common Shares is determined (such day being hereinafter referred to as the "Mandatory Conversion Date") on the Conversion Basis in effect on the Mandatory Conversion Date. Notwithstanding the foregoing, upon the Termination Date the right of a holder of Preferred Shares Series C to convert the same into Common Shares, as hereinbefore provided in clause 3 of these Preferred Shares Series C Provisions, shall be deemed to have been exercised by such holder as at the close of business on the Termination Date on the Conversion Basis in effect at that time. Upon any such



deemed conversion, the registered holder of Preferred Shares Series C shall be deemed to have become a holder of Common Shares of record of the Company for all purposes at the time of such deemed conversion and thereafter shall not be entitled to exercise any of the rights of a holder of Preferred Shares Series C. Forthwith following the Mandatory Conversion Date or the Termination Date, as the case may be, the Company shall deliver or cause to be delivered to the former holders of the Preferred Shares Series C so converted, certificate(s) registered in the same name as the former holder of Preferred Shares Series C (unless prior to such delivery the Company or the transfer agent for the Preferred Shares Series C at its principal office in the City of Toronto shall have received written instructions from such registered holder directing in whose name or names such Common Shares are to be registered together with payment from such registered holder of any applicable security transfer taxes) representing the Common Shares into which such Preferred Shares Series C have been converted.

#### Restoration to Class on Conversion

5. Any Preferred Shares Series C which are converted as herein provided shall, upon compliance with any applicable provisions of the Act, be therefrom restored to the status of authorized but unissued Preferred Shares not included in any series of Preferred Shares.





Restrictions on the Payment of Dividends and on Retirement of Shares

6. So long as any of the Preferred Shares Series C are outstanding, the Company shall not, without the prior approval of the holders of such Preferred Shares Series C:

- (i) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares ranking junior to the Preferred Shares Series C in all respects) or make any other distribution on the shares ranking junior to the Preferred Shares Series C with respect to repayment of capital or payment of dividends, or
- (ii) except as permitted by the provisions attaching to the Preferred Shares Series A and the Preferred Shares Series B, call for redemption or reduce or otherwise retire for value any Common Shares or any other shares of any class ranking on a parity with or junior to the Preferred Shares Series C with respect to repayment of capital or payment of dividends (except out of the net cash proceeds of an issue of shares ranking junior to the Preferred Shares Series C in all respects made



within the sixty (60) days preceding such call for redemption or reduction);

unless, in each case, all dividends up to and including the dividend payable for the last completed period for which such dividends shall be payable on the Preferred Shares Series C then outstanding shall have been declared and paid or set apart for payment at the date of such action.

Restrictions on Creation of Equal or Prior Ranking Shares

7. For the purposes of this clause 7, the directors of the Company may from time to time determine the Adjusted Consolidated Net Earnings Available for Dividends and/or Shareholders' Equity as at a date not more than one hundred and eighty (180) days prior to the making of such determination and may determine such Adjusted Consolidated Net Earnings for Dividends and/or Shareholders' Equity to be not less than a stated amount without determining the exact amount thereof; in making any such determination the directors shall consider and may rely on the last available audited consolidated balance sheet or statement of earnings of the Company and its subsidiaries and/or the last available audited balance sheet or statement of earnings of the Company reported on by the Company's auditors and may consider and rely on the last available unaudited consolidated balance sheet or statement of earnings of the Company and its





subsidiaries and/or the last available unaudited balance sheet or statement of earnings of the Company prepared by the accounting officers of the Company and upon any other financial statement, report or other data which they may consider reliable and upon the last available independent property valuation provided that the directors shall not make any such determination on the basis of any such balance sheet, statement, report, valuation or other data if to their knowledge any event has happened which would materially and adversely affect such Adjusted Consolidated Net Earnings Available for Dividends and/or Shareholders' Equity as determined on such basis; upon any such determination having been made by the directors under the provisions hereof the Adjusted Consolidated Net Earnings Available for Dividends and/or Shareholders' Equity of the Company and its subsidiaries as at any date within a period of one hundred and eighty (180) days following the date as of which such determination is made (unless any further determination of such Adjusted Consolidated Net Earnings Available for Dividends and/or Shareholders' Equity is so made within such period) shall be conclusively deemed to be not less than the amount stated in such determination and such determination shall be conclusive and binding on the Company and the holders of shares of every class.

So long as any of the Preferred Shares Series C are outstanding the Company shall not issue any other Preferred



Shares or any share of any other class ranking in any respect prior to or on a parity with the Preferred Shares Series C unless, in either case: (i) Adjusted Consolidated Net Earnings Available for Dividends for any twelve (12) consecutive months of the eighteen (18) calendar months immediately preceding the date of issue of such shares shall have been at least equal to two (2) times the annual dividend requirements on all Preferred Shares and other such shares ranking prior to or on a parity with the Preferred Shares Series C to be outstanding immediately after such issue; and (ii) Shareholders' Equity as at a date not more than one hundred and eighty (180) days prior to such issue, shall be at least equal to one and one-half (1-1/2) times the aggregate par value of all Preferred Shares and other shares of the Company ranking in priority to or on a parity with the Preferred Shares Series C to be outstanding immediately after such issue; provided that any of such shares which have been duly called for redemption and for the redemption of which adequate provision has been made assuring that such shares shall be redeemed within thirty-five (35) days thereafter shall be considered to have been redeemed for the purpose of this clause 7.

#### Liquidation, Dissolution or Winding-up

8. In the event of the liquidation, dissolution or





winding-up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs, the holders of the Preferred Shares Series C shall be entitled to receive the amount paid up on such shares together with all accrued and unpaid cumulative preferential dividends thereon, which for such purpose shall be calculated as if such dividends were accruing on a day to day basis for the period from the expiration of the last period for which dividends thereon have been paid up to the date of such event, the whole before any amount shall be paid or payable or assets of the Company shall be distributed to the holders of the Common Shares or to the holders of any other shares ranking junior to the Preferred Shares Series C with respect to payment of capital. After payment to the holders of the Preferred Shares Series C of the amount so payable to them they shall not be entitled to share in any further distribution of the assets of the Company.

#### Voting

9. The holders of the Preferred Shares Series C shall be entitled to receive notice of, and to attend and, either in person or by proxy, vote at (on the basis of that number of votes for each Preferred Share Series C equal to the Conversion Basis then in effect) all meetings of the shareholders of the Company



other than separate meetings of the holders of shares of another series or class of shares of the Company.

#### Notices

10. Unless otherwise specifically provided herein or in the Preferred Shares Class Provisions, any notice, cheque, invitation for tenders or other communication from the Company provided for in the Preferred Shares Series C Series Provisions shall be sent to the holders of the Preferred Shares Series C by ordinary unregistered mail, postage prepaid, at their respective addresses appearing on the books of the Company or, in the event of the address of any such holder not so appearing then at the last known address of such holder. Accidental failure to give any such notice, invitation for tenders or other communication to one or more holders of the Preferred Shares Series C shall not affect the validity thereof, but, upon such failure being discovered, the notice, invitation for tenders or other communication, as the case may be, shall be sent forthwith to such holder or holders and shall have the same effect as if given in due time.

#### Amendments

11. The provisions of clauses 1 to 12, inclusive, of these Preferred Shares Series C Series Provisions, or any of them, may be repealed, altered, modified, amended or amplified only with the sanction of the holders of the Preferred Shares Series C





given as hereinafter specified in addition to any other approval required by the Act.

Sanction by Holders of Preferred Shares Series C

12. The sanction of holders of the Preferred Shares Series C as to any and all matters referred to herein or as to any change adversely affecting the rights or privileges of the Preferred Shares Series C may be given and shall be deemed to have been sufficiently given if given by the holders of the Preferred Shares Series C in the manner provided in clause 12 of the Preferred Shares Class Provisions, which provisions shall apply mutatis mutandis as though the term "Preferred Shares Series C" were used in such clause in place of the term "Preferred Shares".











## NOTICE

### of Annual General Meeting

**NOTICE** is hereby given that the Annual General Meeting of the Company will be held in the Salon Outremont on the Conference Floor of the Hotel Bonaventure, 1 Place Bonaventure, Montreal, Quebec, at 11:30 a.m. (Eastern Daylight Saving Time) on Wednesday, May 6, 1970, for the following purposes:

1. To consider and, if thought fit, pass as an Ordinary Resolution, Resolution No. 1 entitled "Stock Option Plan" a copy of which is set forth below;
2. To consider and, if thought fit, pass as an Ordinary Resolution, Resolution No. 2 entitled "Number of Directors", a copy of which is set forth below;
3. To consider the Company's accounts and balance sheet and the reports of the directors and auditors for the year ended December 31, 1969 and, if thought fit, pass as an Ordinary Resolution, Resolution No. 3 entitled "Accounts and Reports", a copy of which is set forth below;
4. To elect directors;
5. To appoint auditors and authorize the directors to fix their remuneration;
6. To transact such other business of the Company as may properly come before the Meeting.

Members (shareholders) who are unable to attend the Meeting in person are entitled to be represented by one or more proxies and are requested, after referring to the pertinent sections of the attached Information Circular, to date, sign and return the enclosed form of proxy to The Royal Trust Company, P.O. Box 1810, Station "B", Montreal 110, Quebec, not less than forty-eight hours before the time fixed for the Meeting. A Proxy need not be a Member of the Company.

Dated this 10th day of March, 1970.

By Order of the Board

G. R. DEVEY  
*Secretary*

*Attached hereto:*

Proposed Resolutions  
Information Circular

*Enclosed herewith:*

Form of Proxy  
Postage paid addressed envelope

(Version française au verso)

## **RESOLUTIONS**

### **Resolution No. 1 — To be Proposed as an Ordinary Resolution**

#### **Stock Option Plan**

#### **RESOLVED**

**THAT** the Stock Option Plan for employees, adopted by the Board of Directors of the Company on March 4, 1970, be and it is hereby approved.

### **Resolution No. 2 — To be Proposed as an Ordinary Resolution**

#### **Number of Directors**

#### **RESOLVED**

**THAT**, pursuant to Article 79 of the Articles of Association of the Company and until otherwise determined by the Company in General Meeting, the number of Directors of the Company shall be twenty, but nothing in this Resolution contained shall abrogate or be deemed to abrogate in any manner whatsoever the right of the Directors to appoint additional Directors in accordance with the power conferred on them by Article 116 of the Articles of Association of the Company.

### **Resolution No. 3 — To be Proposed as an Ordinary Resolution**

#### **Accounts and Reports**

#### **RESOLVED**

**THAT** the Company's accounts and balance sheet and the reports of the directors and auditors for the year ended December 31, 1969 be and they are hereby adopted.

## **INFORMATION CIRCULAR**

This Information Circular is furnished in accordance with the provisions of The Securities Act, 1966, of Ontario, as amended, in connection with the solicitation by the management of British Newfoundland Corporation Limited (hereinafter sometimes called the "Company") of proxies to be voted at the Annual General Meeting of the Company (the "Meeting"), to be held on the date and for the purposes set forth in the accompanying Notice of the said Meeting. The information contained herein is given as of the 10th day of March, 1970.

### **Solicitation of Proxies**

In addition to the present solicitation by management, proxies may also be solicited on behalf of management by directors, officers and regular employees of the Company, by mail, by telegram or by telephone. The cost of solicitation, which is expected to be nominal, will be borne by the Company.

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## Particulars of Special Matters to be Acted On

At the Meeting, the Members (Shareholders) will be asked to:

(a) pass an Ordinary Resolution (Resolution No. 1 entitled "Stock Option Plan") approving the Stock Option Plan which was adopted by the Board of Directors on March 4, 1970, under which options in respect of unissued Common Shares of the Company may be granted to employees of the Company and its subsidiaries. Subject to appropriate adjustments in the event of changes in the capitalization of the Company, the number of Common Shares in respect of which options may be granted is limited to 500,000. The Plan will be administered by a committee consisting of three members of the Board of Directors, including the President and Chief Executive Officer, who may at any time prior to May 1, 1975 grant options having a duration of not more than five years. Options may be granted at prices of not less than 90% of the market price as defined in the Plan when the market price exceeds \$5 per share and not less than 85% of such market price when the market price is not more than \$5 per share. Subject to the limitations contained in the Plan, the number of Common Shares subject to each option and the terms of each option will be such as the committee granting such options may decide. Under the Plan the directors retain the right to amend or discontinue it. The Plan will not become effective unless it is approved by the shareholders of the Company. Copies of the Plan are available for inspection during normal business hours at the offices of the Company, One Westmount Square, Montreal 216, Quebec.

(b) pass an Ordinary Resolution (Resolution No. 2 entitled "Number of Directors"), fixing the number of directors at twenty until otherwise determined by the Company in General Meeting, pursuant to Article 79 of the Articles of Association of the Company.

## Election of Directors

The shares represented by the proxies hereby solicited will be voted for the election of each of the proposed nominees listed below (or for substitute nominees in the event of contingencies not known at the date hereof). Each such nominee who is elected a director shall hold office until his retirement in due course by rotation pursuant to the Company's Articles of Association, unless his office is vacated earlier, as therein provided. Normally, the number nearest to but not exceeding one third of the directors for the time being in office retire by rotation at each annual general meeting and the directors so retiring are those who have been longest in office since their last election. A retiring director is eligible for re-election.

### PROPOSED NOMINEES FOR ELECTION

(a) The following directors are eligible for re-election by rotation:

<i>Name and Offices held with the Company</i>	<i>Period of Service as a Director (From)</i>	<i>Common Shares of the Company beneficially owned, directly or indirectly</i>
J. Georges-Picot, KBE	September 1958	None
Sam Harris*	July 1963	10,000
J. H. Mowbray Jones, D.Eng.	December 1962	1,000
M. F. Nicholson* (Vice-President & General Manager)	July 1964	None
Gordon F. Pushie	December 1963	None

\*Member of the Executive Committee of the Board of Directors.



(b) The following director was appointed since the last Annual General Meeting and is eligible for re-election pursuant to Article 116:

<i>Name and Offices held with the Company</i>	<i>Period of Service as a Director (From)</i>	<i>Common Shares of the Company beneficially owned, directly or indirectly</i>
Jean-Paul Gignac	January 23, 1970	100

(c) The following persons are proposed for election as additional directors:

<i>Name and Offices held with the Company</i>	<i>Period of Service as a Director (From)</i>	<i>Common Shares of the Company beneficially owned, directly or indirectly</i>
Robert D. Armstrong	None	None
Robert D. Mulholland	None	None

#### PRINCIPAL OCCUPATION OF PROPOSED NOMINEES FOR ELECTION

Set out below are the present principal occupation or employment of each person proposed to be nominated for election as a director and, in respect of the last three, the principal occupations or employments within the five preceding years:

Jacques Georges-Picot, Chairman of the Board and Managing Director of Compagnie Financière de Suez et de l'Union Parisienne, investment and holding corporation, of Paris, France.

Sam Harris, a senior partner of Strasser, Spiegelberg, Fried & Frank, attorneys-at-law, of New York, U.S.A.

John Hugh Mowbray Jones, retired industrialist, and a director of The Bowater Paper Corporation Limited, of London, England.

Michael Franklin Nicholson, a Vice-President and the General Manager of the Company.

Gordon Frizzell Pushie, Industrial Consultant.

Jean-Paul Gignac, President and General Manager of Sidbec since 1966 and of Dominion Steel and Coal Corporation Limited (Dosco) since 1968. From 1961 to 1969, he was a Commissioner of the Quebec Hydro-Electric Commission. Sidbec and Dosco constitute that part of the iron and steel industry in Quebec which is owned by the Government of Quebec.

Robert D. Armstrong, President of Rio Algom Mines Limited since May 1, 1966. Prior thereto, from March 1964, he was President of Canadian Foundation Company Limited, a major construction and engineering company.

Robert D. Mulholland, Vice-Chairman of the Bank of Montreal since December 1968. Prior thereto he was, from May 1967, President, from January 1966 to April 1967, Executive Vice-President and Chief General Manager, and from January 1965 to December 1966, Chief General Manager of the Bank.



## CONTINUING DIRECTORS

The term of office of the following directors continues after the Meeting:

<i>Name and Offices held with the Company</i>	<i>Period of Service as a Director (From)</i>	<i>Common Shares of the Company beneficially owned, directly or indirectly</i>
Henry Borden, SM, CMG, QC* (Chairman)	July 1963	2,230
The Hon. Maurice Bourget, PC	July 1963	850
Bernard D. Broeker	April 1969	1,000
Paul Desmarais	April 1969	None
Sir Val Duncan, OBE* (Chairman of Executive Committee)	April 1953 to July 1963; and from October 1963	7,020
G. Peter Fleck	October 1963	None**
Lewis W. Foy	April 1969	1,000
William D. Mulholland* (President & Chief Executive Officer and Deputy Chairman of Executive Committee)	May 1969	100,000
Edmund L. de Rothschild, TD*	June 1954	35,709**
H. Greville Smith, CBE	August 1959	100
Arthur S. Torrey	September 1954	5,000
Sir Mark Turner*	April 1969	None

\*Member of the Executive Committee of the Board of Directors.

\*\*Partner in N. M. Rothschild & Sons which beneficially owns 202,500 Common Shares.

## PRINCIPAL OCCUPATION OF CONTINUING DIRECTORS

Set out below are the present principal occupation or employment of each person whose term of office as a director will continue after the Meeting and, in respect of William D. Mulholland, the principal occupation or employment within the five preceding years:

Henry Borden, Chairman of the Company.

The Hon. Maurice Bourget, Member of the Senate of Canada.

Bernard D. Broeker, Chairman of the Finance Committee and General Counsel of Bethlehem Steel Corporation, manufacturer of steel and steel products, of Bethlehem, Pa., U.S.A.

Paul Desmarais, Chairman and Chief Executive Officer of Power Corporation of Canada Limited, investment and holding company.

Sir Val (John Norman Valette) Duncan, Chairman and Chief Executive of The Rio Tinto-Zinc Corporation Limited, international mining and industrial corporation, of London, England.

Gustav Peter Fleck, Chairman of New Court Securities Corporation, investment banking company, and Chairman of Amsterdam Overseas Corporation, diversified finance company, both of New York, U.S.A., and a partner of N. M. Rothschild & Sons, Merchant Bankers, of London, England.

Lewis W. Foy, Vice-President, Purchasing, Bethlehem Steel Corporation.

William D. Mulholland, President and Chief Executive Officer of the Company and of Churchill Falls (Labrador) Corporation Limited since January 5, 1970. For more than the previous five years, he was a partner of Morgan Stanley & Co., investment banking company, of New York, U.S.A.

Edmund Leopold de Rothschild, Senior Partner of N. M. Rothschild & Sons, Merchant Bankers, of London, England.

Harold Greville Smith, President of Canadian International Trust Limited, investment trust.

Arthur Starratt Torrey, retired, and Honorary Chairman of Pitfield, Mackay, Ross & Company Limited, investment dealers.

Sir Mark Turner, Deputy Chairman of Kleinwort, Benson Ltd., Merchant Bankers, and of The Rio Tinto-Zinc Corporation Limited, international mining and industrial corporation, both of London, England.

### **Appointment of Auditors**

It is intended that the shares represented by the proxies hereby solicited will be voted for the reappointment of Peat, Marwick, Mitchell & Co., 1155 Dorchester Boulevard West, Montreal, Quebec, as auditors of the Company to hold office until the next annual general meeting of Members and the authorization of the directors to fix their remuneration.

### **Voting Shares and Principal Holders Thereof**

As at the date hereof, there are outstanding 22,822,152 Common Shares of the Company without nominal or par value, being the only equity shares of the Company issued and entitled to be voted at the Meeting.

To the knowledge of the directors and senior officers of the Company the only person or company, at the date hereof, which beneficially owns, directly or indirectly, more than 10% of the Common Shares of the Company is The Rio Tinto-Zinc Corporation Limited, 6 St. James's Square, London, England, which itself owns 100 Common Shares and which beneficially owns 11,068,264 Common Shares through its subsidiary, Tinto Holdings Canada Limited (Tinto Holdings), Suite 3209, Toronto-Dominion Centre, Toronto, Ontario, and Tinto Holdings' subsidiary, Thornwood Investments Limited (Thornwood), 280 Duckworth Street, St. John's, Newfoundland, being an aggregate of 11,068,364 Common Shares or approximately 49% of the outstanding Common Shares of the Company. Bethlehem Steel Corporation, Bethlehem, Pa., U.S.A., a minority shareholder of Thornwood, owns through its subsidiary, Interocean Shipping Company, c/o The International Trust Company of Liberia, 80 Broad Street, Monrovia, Liberia, 897,767 Common Shares of the Company.

Each Member is entitled to one vote for each Common Share of the Company registered in his name. Any Member may appoint another person (whether a Member or not) as his proxy to attend and vote in his place and stead. The instrument appointing the proxy shall be in writing under the hand of the appointor or of his attorney, duly authorized in writing or, if the appointor be a corporation, either under its Common Seal or under the hand of an officer or attorney so authorized.

The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, shall be deposited at the address

indicated in the Notice of Meeting not less than forty-eight hours before the time appointed for holding the Meeting or adjourned Meeting at which the person named in the instrument proposes to vote, or in the case of a poll taken subsequently to the date of a Meeting or adjourned Meeting, not less than twenty-four hours before the time appointed for the taking of the poll and in default the instrument shall not be treated as valid.

### **Voting of Shares Represented by Management Proxy**

The accompanying form of proxy confers discretionary voting authority upon the persons designated therein. The shares represented by any valid Instrument of Proxy on the said form and appointing the persons named therein to represent the Member at the Meeting will be voted, subject to the provisions of Section 105 of The Securities Act, 1966, of Ontario, in accordance with the directions of the Member as specified in the Instrument of Proxy. In the absence of such directions, the shares represented by such Instrument of Proxy will be voted in favour of the resolutions set forth in the Notice of Meeting, namely: Resolution No. 1 entitled "Stock Option Plan"; Resolution No. 2 entitled "Number of Directors"; and, Resolution No. 3 entitled "Accounts and Reports."

Management is not aware of any matters other than those identified in the Notice of Meeting that may come before the Meeting. If, however, other matters properly come before the Meeting, the persons designated in the enclosed form of proxy will vote thereon in accordance with their best judgment pursuant to the discretionary authority conferred by the Instrument of Proxy with regard to such matters.

### **Designation of Persons Other Than Those Named in the Management Proxy**

Each Member has the right to designate as his proxy a person other than those designated in the accompanying form of proxy to attend and vote for such Member at the Meeting. Any Member desiring to exercise such right may do so by striking out the names of the persons designated in the accompanying form of proxy and inserting, in the space provided, the name of the person he wishes to designate as his proxy, or he may do so by executing an instrument appointing a proxy in a form similar to the accompanying form of proxy.

### **Revocability of Proxy**

A Member giving a proxy has power to revoke it at any time before it has been exercised, provided intimation in writing of such revocation shall have been received by the Company at its registered office or at the office of The Royal Trust Company, P.O. Box 1810, Station "B", Montreal 110, Quebec, before the commencement of the Meeting or adjourned Meeting, or the taking of the poll at which the Instrument of Proxy is to be used.

### **Remuneration of Management and Others**

The aggregate direct remuneration paid to directors and senior officers of the Company during the year ended December 31, 1969 by the Company and British Newfoundland Exploration Limited was \$111,669 and by Churchill Falls (Labrador) Corporation Limited was \$85,476. In addition certain senior officers of the Company whose services were provided pursuant to an agreement with Rio Tinto North American Services Limited have received remuneration directly from that Company.



The estimated aggregate cost to the Company and its subsidiaries in the year ended December 31, 1969 of all pension benefits proposed to be paid under any normal pension plan, directly or indirectly, by the Company and its subsidiaries to directors and senior officers of the Company, in the event of their retirement at normal retirement age, was \$12,667.

On March 4, 1970, the Board of Directors approved an extension of six months to November 11, 1970 of the time for the exercise of options to purchase 81,500 Common Shares of the Company at a price of \$4.73 per share granted prior to the financial year ended December 31, 1969 to two senior officers of the Company who have since died. The price range of the shares in the thirty-day period preceding March 4, 1970 was from \$4.70 to \$4.90 per share.

Options to purchase 15,000 Common Shares of the Company granted to directors and senior officers of the Company prior to the financial year ended December 31, 1969 have been exercised since the commencement of that financial year at a price of \$4.73 per share. The aforesaid shares were purchased on December 18, 1969 and the price range of the shares in the thirty-day period preceding the date of purchase was from \$4.90 to \$5.50 per share.

#### **Interest of Management and Others in Material Transactions**

There were no material transactions since January 1, 1969, or proposed material transactions, which have materially affected or will materially affect the Company or any of its subsidiaries and in which

- (i) any director or senior officer of the Company;
  - (ii) any proposed nominee for election as a director of the Company;
  - (iii) any person or company which, to the knowledge of the directors and senior officers of the Company, beneficially owns, directly or indirectly, more than 10% of the Common Shares of the Company; and
  - (iv) any associate or affiliate of any of the foregoing persons or companies,
- has any direct or indirect material interest.

Dated as of the 10th day of March, 1970.

By Order of the Board

G. R. DEVEY  
*Secretary*



de tous régimes de retraite normaux, aux administrateurs et aux cadres supérieurs de la Compagnie, en cas de retraite à l'âge normal de la retraite, a été de \$12,667.

Le 4 mars 1970, le conseil d'administration a approuvé une extension de six mois jusqu'au 11 novembre, 1970 au terme pour l'exercice d'options pour l'achat de 81,500 actions ordinaires de la Compagnie au prix de \$4.73 par action qui avaient été accordées avant l'exercice terminé le 31 décembre, 1969 à deux membres des cadres supérieurs de la Compagnie qui sont depuis décédés. Le cours des actions ordinaires pendant les trente jours précédant le 4 mars, 1970 a oscillé entre \$4.70 et \$4.90 par action.

Des options pour l'achat de 15,000 actions ordinaires de la Compagnie accordées aux administrateurs et membres des cadres supérieurs de la Compagnie avant l'exercice terminé le 31 décembre, 1969 ont été exercées depuis le commencement de cet exercice au prix de \$4.73 par action. Lesdites actions ont été achetées le 18 décembre, 1969. Le cours des actions ordinaires pendant les 30 jours précédant la date d'achat a oscillé entre \$4.90 et \$5.50 par action.

### **Participation de membres de la direction et d'autres à des transactions d'importance**

Il n'y a eu aucune transaction d'importance effectuée depuis le 1er janvier 1969, ou envisagée, qui a affecté ou affectera sensiblement la Compagnie ou l'une quelconque de ses filiales et dans lesquelles,

- (i) un administrateur ou un membre des cadres supérieurs de la Compagnie;
- (ii) un candidat dont l'élection comme administrateur de la Compagnie est proposée;
- (iii) toute personne ou compagnie qui, au su des administrateurs et des membres des cadres supérieurs de la Compagnie, devient à titre bénéficiaire, directement ou indirectement, plus de 10% des actions ordinaires de la Compagnie; et
- (iv) tout associé ou affilié d'une quelconque des personnes ou compagnies susdites,

possède un intérêt important, direct ou indirect.

En date du 10 mars 1970.

Par ordre du conseil  
le secrétaire,  
G. R. DEVEY

## **Exercice du droit de vote par un fondé de pouvoirs proposé par la direction**

La formule de délégation de pouvoirs ci-jointe confère aux personnes y désignées des pouvoirs discrétionnaires de vote. Le droit de vote attaché aux actions représentées par tout acte de délégation de pouvoirs valide sur ladite formule nommant les personnes y indiquées pour représenter l'actionnaire à l'Assemblée, sera exercé, sous réserve des dispositions de la section 105 de la loi de l'Ontario sur les valeurs mobilières, de 1966, conformément aux instructions de l'actionnaire précisées dans l'acte de délégation de pouvoirs. À défaut de telles instructions, le droit de vote attaché aux actions représentées par ledit acte sera exercé en faveur des résolutions énoncées dans l'avis de convocation, à savoir: résolution No 1 intitulée "Régime d'options pour l'achat d'actions", résolution No 2 intitulée "Nombre des administrateurs" et résolution No 3 intitulée "Comptes et rapports".

La direction n'a connaissance d'aucune question, autre que celles qui sont indiquées dans l'avis de convocation, qui sera soumise à l'Assemblée. Cependant, si d'autres questions en règle sont soumises à l'Assemblée, les personnes désignées dans la formule de délégation de pouvoirs ci-jointe voteront sur celles-ci d'après leur meilleure appréciation, en vertu du pouvoir discrétionnaire que leur confère l'acte de délégation de pouvoirs à cet égard.

**Désignation de personnes autres que celles proposées par la direction dans la formule de délégation de pouvoirs**

Tout actionnaire a le droit de désigner comme son fondé de pouvoirs une personne autre que celles indiquées dans la formule de délégation de pouvoirs ci-jointe pour assister à sa place à l'Assemblée et y voter en son nom. Tout actionnaire qui désire exercer ce droit peut le faire en biffant les noms des personnes indiquées dans la formule de délégation de pouvoirs et en y inscrivant, à l'endroit prévu, le nom de la personne qu'il veut désigner comme son fondé de pouvoirs. Il peut également le faire en signant un acte de délégation de pouvoirs semblable en forme à la formule ci-jointe.

## **Révocation des délégations de pouvoirs**

Tout actionnaire donnant une délégation de pouvoirs peut révoquer celle-ci n'importe quand avant son exercice, pourvu qu'un avis écrit de cette révocation parvienne au siège social de la Compagnie ou au bureau de la Compagnie Trust Royal, C.P. 1810, Station "B", Montréal 110 (Québec), avant le début de l'Assemblée, de son ajournement ou de la prise du vote, pour lesquels l'acte de délégation de pouvoirs a été établi.

## **Rémunération versée à des membres de la direction et à d'autres**

Pour l'exercice terminé le 31 décembre 1969, le total de la rémunération directe versée aux administrateurs et aux cadres supérieurs de la Compagnie, par la Compagnie et par British Newfoundland Exploration Limited s'est élevé à \$111,669 et par Churchill Falls (Labrador) Corporation Limited, à \$85,476. En outre, certains membres des cadres supérieurs de la Compagnie qui ont fourni des services en vertu d'une entente intervenue avec Rio Tinto North American Services Limited, ont été rémunérés directement par cette compagnie.

Le coût global estimatif, au cours de l'exercice terminé le 31 décembre 1969, pour la Compagnie et ses filiales, de toutes les pensions qu'elles se proposent de payer, directement ou indirectement, en vertu

Arthur Starratt Torrey, en retraite et président honoraire du conseil de Pittfield, Mackay, Ross & Company Limited, courtiers en valeurs mobilières.

Sir Mark Turner, président suppléant du conseil de Kleinwort, Benson Ltd., banque de commerce, et de The Rio Tinto-Zinc Corporation Limited, compagnie minière et industrielle internationale, toutes deux ayant leur siège social à Londres (Angleterre).

#### Nomination des vérificateurs

Il est prévu que le droit de vote attaché aux actions représentées par les délégations de pouvoirs sollicitées par les présentes sera exercé pour le maintien dans leurs fonctions de Peat, Marwick, Mitchell & Co., 1155 ouest, boulevard Dorchester, Montréal (P.Q.), comme vérificateurs de la Compagnie jusqu'à la prochaine assemblée générale annuelle des actionnaires et pour autoriser les administrateurs à fixer leur rémunération.

#### Actions comportant le droit de vote et leurs principaux détenteurs

À la date des présentes, il y a en circulation 22,822,152 actions ordinaires de la Compagnie sans valeur nominale ou au pair, qui sont les seules actions de la Compagnie émises et comportant le droit de vote à l'assemblée.

À la connaissance des administrateurs et des membres des cadres supérieurs de la Compagnie, la seule personne ou compagnie qui, à la date des présentes, détient à titre bénéficiaire, directement ou indirectement, plus de 10% des actions ordinaires de la Compagnie, est The Rio Tinto-Zinc Corporation Limited, 6 St. James's Square, Londres (Angleterre), laquelle détient 100 actions ordinaires en propre et 11,068,264 actions ordinaires à titre bénéficiaire par l'entremise de sa filiale, Tinto Holdings Canada Limited (Tinto Holdings), Suite 3209, Toronto-Dominion Centre, Toronto (Ontario), et de la filiale de Tinto Holdings, Thornwood Investments Limited (Thornwood), 280 Duckworth Street, St. John's (Terre-Neuve), formant un bloc de 11,068,364 actions ordinaires, ou approximativement 49% des actions ordinaires en circulation de la Compagnie. Bethlehem Steel Corporation, de Bethlehem, Penn., (É.-U.), un actionnaire minoritaire de Thornwood, détient 897,767 actions ordinaires de la Compagnie par l'entremise de sa filiale, Interocéan Shipping Company, a/s The International Trust Company of Liberia, 80 Broad Street, Monrovia, Liberia.

Chaque actionnaire a droit à un vote par action ordinaire de la Compagnie immatriculée à son nom. Tout actionnaire peut déléguer une autre personne (actionnaire ou non) comme son fondé de pouvoirs pour assister à l'assemblée et y voter à sa place et en son nom. L'acte de délégation de pouvoirs doit être signé par le mandant ou par son procureur dûment autorisé par écrit. Si le mandant est une compagnie, la procuration devra porter le sceau de la compagnie ou la signature d'un directeur ou d'un procureur autorisé par écrit.

L'acte de délégation de pouvoirs, ainsi que la procuration ou autre autorisation (s'il y a lieu) en vertu de laquelle il est signé, ou encore la copie notariée de cette procuration ou autre autorisation, devront être déposés à l'adresse indiquée dans l'avis de convocation, au plus tard quarante-huit heures avant l'heure fixée pour l'assemblée ou tout ajournement d'icelle à laquelle la personne nommée dans ledit document se propose de voter. Dans le cas d'un vote pris après la date d'une assemblée ou d'un ajournement d'icelle, ce dépôt devra avoir lieu vingt-quatre heures au moins avant le moment prévu pour le vote, à défaut de quoi l'acte de délégation de pouvoirs ne sera pas valide.



Nom et fonctions occupées à la Compagnie	Administrateur depuis	Nombre d'actions ordinaires de la Compagnie détenues à titre bénéficiaire, directement ou indirectement	PRINCIPALE OCCUPATION DES ADMINISTRATEURS RESTANT EN FONCTIONS	
			On trouvera ci-après l'occupation ou l'emploi principal à l'heure actuelle de chacune des personnes qui demeureront en fonctions, à titre d'administrateurs, après l'assemblée, et à l'égard de William D. Mulholland, son occupation ou emploi principal pendant les cinq années précédentes:	Henry Borden, président du conseil de la Compagnie.
G. Peter Fleck	octobre 1963	Aucune**	Paul Desmarais, président du conseil et administrateur délégué de Power Corporation of Canada Limited, une société de placement et de gestion.	L'honorable sénateur Maurice Bourget, membre du Sénat du Canada.
Lewis W. Foy	avril 1969	1,000	Bernard D. Broeker, président du comité des finances et chef du contentieux de Bethlehem Steel Corporation, un producteur d'acier et de produits d'acier, de Bethlehem, Penn. (E.-U.).	
William D. Mulholland*	mai 1969	100,000	Sir Val (John Norman Valette) Duncan, président du conseil et administrateur délégué de The Rio Tinto-Zinc Corporation Limited, société minière et industrielle internationale, de Londres (Angleterre).	
(président, administrateur délégué, et président suppléant du comité exécutif)			Gustav Peter Fleck, président du conseil de New Court Securities Corporation, société bancaire d'inves- tissement, et président du conseil d'Amsterdam Overseas Corporation, société de finance diversifiée, toutes deux de New York (E.-U.); et associé de N. M. Rothschild & Sons, banque de commerce, de Londres (Angleterre).	
Edmund L. de Rothschild, TD*	juin 1954	35,709**		
H. Greville Smith, CBE	août 1959	100		
Arthur S. Torrey	septembre 1954	5,000		
Sir Mark Turner*	avril 1969	Aucune		
			*Membre du comité exécutif du conseil d'administration.	
			**Associé de N. M. Rothschild & Sons, qui détient à titre bénéficiaire 202,500 actions ordinaires.	

On trouvera ci-après l'occupation ou l'emploi principal à l'heure actuelle de chacune des personnes qui demeureront en fonctions, à titre d'administrateurs, après l'assemblée, et à l'égard de William D. Mulholland, son occupation ou emploi principal pendant les cinq années précédentes:

Henry Borden, président du conseil de la Compagnie.

L'honorable sénateur Maurice Bourget, membre du Sénat du Canada.

Bernard D. Broeker, président du comité des finances et chef du contentieux de Bethlehem Steel Corporation, un producteur d'acier et de produits d'acier, de Bethlehem, Penn. (E.-U.).

Paul Desmarais, président du conseil et administrateur délégué de Power Corporation of Canada Limited, une société de placement et de gestion.

Sir Val (John Norman Valette) Duncan, président du conseil et administrateur délégué de The Rio Tinto-Zinc Corporation Limited, société minière et industrielle internationale, de Londres (Angleterre).

Gustav Peter Fleck, président du conseil de New Court Securities Corporation, société bancaire d'investissement, et président du conseil d'Amsterdam Overseas Corporation, société de finance diversifiée, toutes deux de New York (E.-U.); et associé de N. M. Rothschild & Sons, banque de commerce, de Londres (Angleterre).

Lewis W. Foy, vice-président, achats, Bethlehem Steel Corporation.

William D. Mulholland, président et administrateur délégué de la Compagnie et de Churchill Falls (Labrador) Corporation Limited depuis le 5 janvier 1970. Pendant plus que les cinq années précédentes, associé de Morgan Stanley & Co., société bancaire d'investissement, de New York (E.-U.).

Edmund Leopold de Rothschild, associé principal de N. M. Rothschild & Sons, banque de commerce, de Londres (Angleterre).

Harold Greville Smith, président de Canadian International Trust Limited, trust de placement.



(c) Les personnes suivantes sont proposées pour élection à titre d'administrateurs additionnels:

<i>Nom et fonctions occupées à la Compagnie</i>	<i>Administrateur depuis</i>	<i>Nombre d'actions ordinaires de la Compagnie détenues à titre bénéficiaire, directement ou indirectement</i>
Robert D. Armstrong	Non applicable	Aucune
Robert D. Mulholland	Non applicable	Aucune

#### PRINCIPALES OCCUPATIONS DES CANDIDATS PROPOSÉS POUR ÉLECTION

On trouvera ci-après l'occupation ou l'emploi principal de chacune des personnes dont la candidature est proposée pour élection en qualité d'administrateur et à l'égard des trois derniers ci-bas, leurs principaux emplois et occupations au cours des cinq années précédentes.

Jacques Georges-Picot, président du conseil et administrateur délégué de la Compagnie Financière de Suez et de l'Union Parisienne, une société de placement et de gestion, de Paris (France).

Sam Harris, associé principal de Strasser, Spiegeberg, Fried & Frank, avocats, de New York (É.-U.).

John Hugh Mowbray Jones, industriel en retraite et administrateur de The Bowater Paper Corporation Limited, de Londres (Angleterre).

Michael Franklin Nicholson, un des vice-présidents de la Compagnie et son directeur général.

Gordon Frizzell Pushie, conseiller industriel.

Jean-Paul Gignac, président et directeur général de Sidbec depuis 1966 et de Dominion Steel and Coal Corporation Limited (Dosco) depuis 1968. De 1961 à 1969, commissaire de la Commission hydroélectrique de Québec. Sidbec et Dosco représentent le secteur de l'industrie de fer et d'acier au Québec qui est la propriété du gouvernement de Québec.

Robert D. Armstrong, président de Rio Algom Mines Limited depuis le 1er mai, 1966. Avant cette date et à compter de mars, 1964 il était président de Canadian Foundation Company Limited, une importante compagnie de construction et de génie.

Robert D. Mulholland, vice-président du conseil de la Banque de Montréal repus décembre 1968. Auparavant, à compter de mai, 1967 il était président, à compter de janvier, 1966 à avril, 1967 — vice-président à la direction et gérant général en chef et à compter de janvier, 1965 jusqu'à décembre, 1966 — gérant général en chef de la Banque.

#### ADMINISTRATEURS RESTANT EN FONCTIONS

Les administrateurs suivants resteront en fonctions après l'assemblée:

<i>Nom et fonctions occupées à la Compagnie</i>	<i>Administrateur depuis</i>	<i>Nombre d'actions ordinaires de la Compagnie détenues à titre bénéficiaire, directement ou indirectement</i>
Henry Borden, SM, CMG, cr* (président du conseil)	juillet 1963	2,230
L'honorable sénateur Maurice Bourget, CP	juillet 1963	850
Bernard D. Brooker	avril 1969	1,000
Paul Desmarais	avril 1969	Aucune
Sir Val Duncan, OBE* (président du comité exécutif)	avril 1953 jusqu'à juillet 1963, et depuis octobre 1963	7,020

1970 en vertu duquel des options pour l'achat d'actions ordinaires non émises de la Compagnie pourront être accordées aux employés de la Compagnie et de ses filiales. Sujet aux ajustements appropriés en le cas de changement en la capitalisation de la Compagnie, le nombre d'actions ordinaires en rapport auxquelles des options pourront être accordées sera restreint à 500,000. Le régime sera administré par un comité composé de trois membres du conseil d'administration (y compris le président et administrateur délégué), qui pourra en tout temps avant le 1er mai, 1975 accorder des options ayant une durée n'excédant pas cinq ans. Des options peuvent être accordées à un prix non inférieur à 90% du prix du marché tel que défini en le régime lorsque le prix du marché excède \$5 par action et non inférieur à 85% du prix du marché lorsque celui-ci est \$5 ou moins par action. Sujet aux limitations contenues dans le régime, le nombre d'actions ordinaires affecté à chaque option et les dispositions de chaque option seront telles que le comité qui les accorde pourra établir. En vertu du régime, les administrateurs se réservent le droit d'amender ou de discontinuer celui-ci. Le régime n'entrera pas en vigueur à moins qu'il soit approuvé par les actionnaires de la Compagnie. Copies du régime sont disponibles pour inspection au cours des heures normales d'affaires au bureau de la Compagnie, 1 Westmount Square, Montréal 126, Québec.

(b) Adopter une résolution ordinaire (résolution No 2 intitulée "Nombre des administrateurs") établissant à 20 le nombre des administrateurs jusqu'à ce que la Compagnie en assemblée générale en décide autrement conformément à l'article 79 des statuts de la Compagnie.

## Rélection des administrateurs

Le droit de vote attaché aux actions représentées par les délégations de pouvoirs sollicitées dans les présentes sera exercé pour l'élection de chaque candidat nommé dans la liste ci-après (ou des candidats qui pourront les remplacer en cas de circonstances imprévues). Les candidats ainsi élus administrateurs seront en fonctions jusqu'à ce qu'ils se retirent en temps voulu par rotation, selon les statuts de la Compagnie, à moins qu'ils ne se soient ou n'aient été démis de leurs fonctions auparavant, tel que prévu dans les statuts. Normalement se retire par rotation lors de chaque assemblée générale annuelle, le nombre d'administrateurs le plus proche mais ne dépassant pas le tiers des administrateurs alors en fonctions, les administrateurs se retirant ainsi étant ceux qui ont été le plus longtemps en fonctions depuis leur dernière élection. Tout administrateur retiré est rééligible.

## CANDIDATS PROPOSÉS POUR ÉLECTION

(a) Les administrateurs ci-après sont rééligibles par rotation:

<i>Nom et fonctions occupées</i>	<i>Administrateur depuis</i>	<i>Nombre d'actions ordinaires de la Compagnie détenues à titre bénéficiaire, directement ou indirectement</i>
----------------------------------	------------------------------	--

J. Georges-Picot, KBE

septembre 1958

Aucune

Sam Harris\*

juillet 1963

10,000

J. H. Mowbray Jones, D.Eng.

décembre 1962

1,000

M. F. Nicholson\*

juillet 1964

Aucune

(vice-président et directeur général)

Gordon F. Pushie

décembre 1963

Aucune

\*Membre du comité exécutif du conseil d'administration.

(b) L'administrateur ci-après a été nommé depuis la dernière assemblée générale annuelle et est rééligible en vertu de l'article 116:

*Nom et fonctions occupées*

*Administrateur depuis*

*Nombre d'actions ordinaires de la Compagnie détenues à titre bénéficiaire, directement ou indirectement*

Jean-Paul Gignac

le 23 janvier 1970

100

## RÉSOLUTIONS

(traduction)

### Résolution No 1 — À être présentée comme une résolution ordinaire

#### Régime d'options pour l'achat d'actions

#### II. EST RÉSOLU

QUE le régime d'options pour l'achat d'actions par les employés tel qu'adopté par le conseil d'administration de la Compagnie le 4 mars, 1970, soit et par les présentes est approuvé.

### Résolution No 2 — À être présentée comme une résolution ordinaire

#### Nombre des administrateurs

#### II. EST RÉSOLU

QUE, conformément à l'article 79 des statuts de la Compagnie et jusqu'à ce que la Compagnie en assemblée générale en décide autrement, le nombre des administrateurs de la Compagnie sera vingt. Toutefois, cette résolution ne supprime pas et n'est censée supprimer d'aucune façon le droit des administrateurs de nommer des administrateurs supplémentaires, comme les y autorise l'article 116 des statuts de la Compagnie.

### Résolution No 3 — À être présentée comme résolution ordinaire

#### Comptes et rapports

#### II. EST RÉSOLU

QUE les comptes et le bilan de la Compagnie ainsi que les rapports des administrateurs et des vérificateurs pour l'exercice terminé le 31 décembre, 1969 soient et par les présentes sont adoptés.

## CIRCULAIRE D'INFORMATION

Cette circulaire d'information est envoyée conformément aux dispositions de la loi de l'Ontario sur les valeurs mobilières, de 1966, (The Securities Act, 1966) et de ses amendements, à l'occasion de la sollicitation par la direction de British Newfoundland Corporation Limited (ci-après appelée parfois "la Compagnie"), de délégations de pouvoirs pour l'exercice de droits de vote à l'assemblée générale annuelle de la Compagnie ("l'Assemblée") qui doit avoir lieu à la date et pour les fins indiquées dans l'avis de convocation ci-annexé. Les informations contenues dans les présentes sont données en date du 10 mars 1970.

### Demande de délégations de pouvoirs

Outre cette sollicitation de délégations de pouvoirs par la direction, des demandes de délégations de pouvoirs pourront être faites au nom de la direction par des administrateurs, des dirigeants et des employés permanents de la Compagnie, soit par la poste, soit par télégramme, soit par téléphone. Le coût de la sollicitation, qui devrait être minime, sera aux frais de la Compagnie.

### Détails concernant les questions spéciales à l'ordre du jour

Au cours de l'assemblée les membres (actionnaires) seront invités à:

(a) Adopter une résolution ordinaire (résolution No 1 intitulée "Régime d'options pour l'achat d'actions") approuvant le régime d'options pour l'achat d'actions adoptée par le conseil d'administration le 4 mars,



## AVIS DE CONVOCATION

### d'une assemblée générale annuelle

(Traduction)

**AVIS** est donné par les présentes qu'une assemblée générale annuelle aura lieu au salon Outremont à l'étage des Conférences de l'hôtel Bonaventure, 1 Place Bonaventure, à Montréal (Québec), le mercredi 6 mai 1970, à 11 h 30 du matin (heure avancée de l'Est) aux fins de:

1. Considérer et, si jugé à propos, adopter comme résolution ordinaire la résolution No 1 intitulée "Régime d'options pour l'achat d'actions" dont traduction est annexée aux présentes.
2. Considérer et, si jugé à propos, adopter comme résolution ordinaire la résolution No 2 intitulée "Nombre des administrateurs" dont traduction est annexée aux présentes.
3. Considérer les comptes et le bilan de la Compagnie ainsi que les rapports des administrateurs et des vérificateurs pour l'exercice terminé le 31 décembre 1969, et, si jugé à propos, adopter comme résolution ordinaire la résolution No 3 intitulée "Comptes et rapports", dont traduction est annexée aux présentes.
4. Elire des administrateurs.
5. Nommer les vérificateurs et autoriser les administrateurs à fixer leur rémunération.
6. Traiter de toutes autres questions intéressant la Compagnie qui auront dûment été présentées à l'assemblée.

Les membres (actionnaires) qui ne pourront assister à l'assemblée ont le droit de s'y faire représenter par un ou plusieurs fondés de pouvoirs. À cet effet, ils sont priés de dater et de signer la formule de délégation de pouvoirs ci-jointe, après avoir consulté les sections pertinentes de la circulaire d'information ci-annexée, et de la retourner à la Compagnie Trust Royal, C.P. 1810, station "B", Montréal 110 (Québec), au moins quarante-huit heures avant l'heure fixée pour l'assemblée. Il n'est pas nécessaire que le fondé de pouvoirs soit membre de la Compagnie.

Daté ce 10ième jour de mars 1970.

Par ordre du Conseil  
le secrétaire,  
G. R. DEVEY

En annexe:

Traduction des résolutions proposées  
Circulaire d'information

Ci-joints:

Formule de délégation de pouvoirs  
Enveloppe adressée et affranchie



**AR30**

To the Shareholders:

APR 9 1976

For some time Brinco Limited has been carrying out a work program to assess the feasibility of developing Abitibi Asbestos Mining Company Limited's "A" asbestos deposit, Maizerets Township, Quebec. Brinco recently delivered the latest status report on its evaluation of the deposit to Abitibi Asbestos.

With the permission of Abitibi Asbestos, a copy of the report is enclosed for your information.

April 1, 1976.

Aux Actionnaires:

Depuis un certain temps, Brinco a procédé un programme de travaux en vue d'évaluer la rentabilité du développement du gisement d'amiante "A", de la Société de Minerais d'Amiante d'Abitibi Limitée dans le Canton de Maizerets, Québec. Brinco a récemment remis à la société Abitibi son plus récent rapport sur l'état de son évaluation du gisement.

Avec la permission de la société Abitibi, une copie de ce rapport est ci-attachée pour votre information.

le 1 avril, 1976

**Abitibi Asbestos  
Mining Company  
Limited**





APR 9 1976

## **To: The Shareholders of Abitibi Asbestos Mining Company Limited.**

The Company's interim report dated September 17, 1975 for the six months ended June 30, 1975 included a review of the status of the work program being carried out by Brinco Limited in assessing the feasibility of developing the Company's "A" asbestos deposit, Maizerets Township, Quebec. Further work has been done on the evaluation of the deposit and the latest status report has now been received from Brinco and is set out below. Copies of the September 17, 1975 report to shareholders containing information on the "A" deposit are available from the Secretary of the Company upon request.

The highlights of the Brinco report are as follows:

- The study of the deposit covering technical and certain economic aspects has been completed.
- The current estimate of all new funds that would be required if a decision were made to bring the deposit into commercial production based on the concept set forth in the report, is \$292 million.
- Brinco is now engaged in a review of the viability of developing the deposit.

The full text of the Brinco status report is as follows:

### **1. Introduction**

The study of the "A" asbestos deposit, Maizerets Township, Quebec, has been completed, and Brinco is now engaged in a review of the study in order to determine the viability of developing the deposit in the light of present and projected asbestos market conditions, projected capital requirements and operating costs, financing alternatives, environmental considerations and economic conditions generally.

As at March 1, 1976, the estimate of all new funds that would be required, if a decision to start were made in the second half of 1976, and the "A" deposit brought into commercial production within forty-one months of such a decision, is \$292 million. This estimate includes a provision for owner's costs, further development work, the excess of costs over revenue during the first three to four months of initial operations, working capital requirements, and interest charges assuming that approximately two-thirds of these new funds would be raised as debt.

### **2. The Mining and Fibre Recovery Concept and Related Estimates**

In the previous report, the estimate of the cost of bringing the deposit into commercial production was in the order of \$260 million, excluding certain working capital requirements, interest during construction and all other financing costs. Subsequently, allowances were made for the working capital items previously excluded and for the estimated excess expenditures over revenue in the first three to four months of initial operations. With provision for these items, the estimate was revised to \$270 million. After a comprehensive review of the cost estimate, taking into account the new open pit design with steeper slopes, it is thought possible that a reduction of \$19 million could be achieved. This reduction would be offset by a provision of \$24 million, which is estimated to cover the additional escalation in costs, for an assumed start in 1976 rather than in 1975. If it is further assumed that approximately two-thirds of the new capital to be financed would be raised as debt, bearing an assumed interest rate of 10% per annum, interest charges in the order of \$17 million would be incurred prior to the start of commercial production. Thus, as at March 1, 1976, the estimate of all new funds required is \$292 million. As mentioned earlier, financing alternatives are under review, but no arrangements have been made.

The concept for mining and recovering asbestos fibre includes the following:

The removal of 36 million cubic yards of unconsolidated overburden covering the deposit. Most of this would be done by suction dredging prior to the commencement of rock mining. Portable diesel generators would be required to provide the electricity for dredging.

Based on technical studies to date, about 217 million tons of rock would be mined from an open pit with ultimate slopes ranging to 45 degrees to the horizontal. This quantity comprises approximately 82 million tons of near barren rock and close to 135 million tons of fibre-bearing rock.

The portions of the deposit actually mined and the tonnages actually processed in the mill (rather than disposed of as waste or stockpiled for possible later processing) would vary with a large number of factors, including the prevailing costs of labour, power, material and supplies, market prices for fibre and further information concerning the deposit acquired during the course of operations. A production schedule developed for planning purposes calls for the processing of a minimum of 103 million tons of fibre-bearing rock having an average gross value of approximately \$10 per ton (at list prices current in mid-February, 1976, with no allowances being included for a possible strength premium, processing losses or selling costs and discounts which may be necessary) at a fixed rate of 7 million tons per year. This would yield approximately 220,000 tons of fibre per year in the 4T to 7D grade range for seven years after the initial build-up year, with the annual production of fibre progressively declining thereafter at an approximate rate of 10,000 tons per year for a further seven years. To achieve this fibre production it would be necessary to mine selectively at a rate of 21 million tons of rock per year for the first seven years of commercial operation with annual tonnages mined declining thereafter. In addition to rock mining, up to 4 million tons per year of remaining overburden would also have to be removed by dry mining in early years.

Commercial operations would require as many as 650 people at site, for mining and processing on a three shift basis.

Bulk sample fibre tested to date has good strength characteristics, which for certain uses might command a premium on prices based solely on length distribution.

### **3. Other Matters**

Ways and means of improving the current mining and processing concept are continuously being reviewed. For example, it may be possible through additional expenditures in the order of \$18 million to increase process plant capacity by 15%, for the production of up to 250,000 tons of fibre per annum recovered from 8 million tons per year of fibre-bearing rock. Among other matters, the merits as well as the costs of increasing fibre recovery in the process plant without increasing the amount of rock processed, are being assessed.

Estimates mentioned in this report allow for the cost of assuring a high standard of air cleanliness and comfortable working conditions in operations. At this time, these allowances are believed to be more than adequate to meet the presently proposed Quebec regulations governing the quality of the occupational environment inside the process plant and the presently proposed federal regulations governing emissions to the atmosphere. The Committee for the Study of Health in the Asbestos Industry appointed by the Quebec Government is now holding public hearings. It is expected that its preliminary report to the Government on the presently proposed regulations and their enforcement will be submitted in the near future.

The settlement in October, 1975 of the long strike in the Thetford Mines region of Quebec has resulted in substantial increases in wages and benefits to asbestos workers. Leading Quebec asbestos producers have announced new fibre prices for export sales. These changes have been recognized in the study of the "A" deposit. The Federal Government, as part of its price and wage control program, is currently monitoring profits derived from export sales.

Preliminary discussions with Hydro-Quebec have taken place concerning the availability of permanent power at site in advance of October, 1979, the date called for in Hydro-Quebec's present plans for the region, and the financial commitments which such an advancement might entail.

During 1975, Abitibi fibre was evaluated in Japan by certain major manufacturers of asbestos cement products and the results reported so far have been satisfactory. Expressions of interest continue to be received from other potential fibre purchasers.

The estimates quoted in the above report relate to a mining and process concept which, of necessity, is based on a number of assumptions. Changes in any of these assumptions could result in changes in the estimates.

March 22, 1976  
Montreal, Quebec.

D. R. De Laporte,  
President



L'exploitation commerciale nécessiterait jusqu'à 650 personnes sur les lieux pour l'extraction et le traitement sur la base de trois équipes.

Les échantillons en vrac de la fibre examinés jusqu'ici possèdent de bonnes caractéristiques de résistance qui, pour certains usages, pourraient permettre d'exiger une prime sur le prix pour la seule caractéristique de longueur de distribution.

### 3. Autres sujets

L'on révisé continuellement des façons et des moyens d'améliorer l'aspect économique de la conception présente de l'exploitation et du traitement. Par exemple, il est possible qu'avec une dépense additionnelle de \$18 millions, la capacité de l'usine de traitement puisse être augmentée par presque 15%, pour la production de 250,000 tonnes de fibres par année provenant de 8 millions de tonnes par année de roche porteuse de fibre. Entre autres, l'on étudie les avantages ainsi que les coûts d'augmenter le recouvrement de fibre dans l'usine de traitement sans augmenter la quantité de roche traitée.

Les estimations mentionnées dans ce rapport tiennent compte de provisions qui assureraient que les normes élevées de pureté de l'air et de confort au travail seraient réalisées au cours de l'exploitation. En ce moment, on croit que ces allocations seront plus que suffisantes pour répondre aux règlements présentement projetés par le Québec sur la qualité de l'environnement des zones de travail à l'intérieur de l'usine de traitement et aux règlements fédéraux présentement projetés se rattachant aux matières émises dans l'atmosphère. Le Comité pour l'étude de la santé de l'industrie de l'amianté qui a été mis sur pieds par le gouvernement du Québec tient présentement des audiences publiques. L'on s'attend à ce que son rapport préliminaire sur les règlements présentement projetés et leur application soit présenté au gouvernement sous peu.

Le règlement, en octobre 1975, de la longue grève dans la région de Thetford Mines, au Québec, a résulté en une forte augmentation des salaires et des bénéfices aux travailleurs d'amianté. Les principaux producteurs d'amianté du Québec ont annoncé des nouveaux prix de vente à l'exportation pour les fibres. Notre étude du gisement "A" tient compte de ces changements. Dans son programme de contrôle des prix et de la rémunération, le gouvernement fédéral surveille présentement les profits tirés des ventes à l'exportation.

La Société a discuté avec l'Hydro-Québec la possibilité de rendre disponible au site de l'énergie de façon permanente avant octobre 1979, date prévue présentement par l'Hydro-Québec dans ses projets pour la région ainsi que les engagements financiers qu'un tel avancement entraînerait.

Au cours de 1975, la fibre d'Abitibi a été évaluée au Japon par certains fabricants importants de produits de ciment d'amianté et les résultats reçus jusqu'ici semblent satisfaisants. Les acheteurs éventuels de la fibre d'Abitibi continuent à exprimer un intérêt.

Les estimations mentionnées dans le présent rapport se rapportent à une conception d'exploitation et de traitement qui, nécessairement, doit se baser sur diverses hypothèses. Tout changement dans ces hypothèses peut engendrer des changements dans les estimations.

# Aux actionnaires de La Société de Minerais d'Abitibi Limitée:

Le rapport intermédiaire de la Compagnie en date du 17 septembre 1975 et portant sur les six mois terminés le 30 juin 1975 donnait une révision du statut du programme des travaux entrepris par Brinco Limited afin d'évaluer la rentabilité de l'aménagement du gisement d'amiante "A" de la Société dans le canton de Maizerets, au Québec. L'évaluation du gisement a avancé et le plus récent relevé de la situation a maintenant été reçu de Brinco et est présenté plus bas. On peut obtenir sur demande des copies du rapport du 17 septembre 1975 aux actionnaires donnant des renseignements quant au gisement "A" en s'adressant au secrétaire de la Société.

Les points saillants du rapport de Brinco peuvent se résumer ainsi:

- L'étude du gisement ayant trait aux aspects techniques et à certains aspects économiques a été complétée.
- L'estimation présente de tous les nouveaux fonds qui seraient requis si l'on devait prendre une décision de porter le gisement à la production commerciale d'après la conception présentée dans le rapport est de \$292 millions.
- Brinco est présentement en voie de réviser la viabilité d'aménager le gisement.

Voici le texte entier du rapport de Brinco:

## 1. Introduction

L'étude du gisement d'amiante "A", du canton de Maizerets au Québec, a été complétée et Brinco est présentement en voie de réviser l'étude afin de constater la viabilité d'aménager le gisement à la lumière de la situation présente et projetée du marché d'amiante, des exigences de capital prévus et des coûts d'exploitation, des possibilités de financement, des questions relatives à l'environnement et des conditions économiques en général.

Au 1er mars 1976, l'estimation de tous les nouveaux fonds qui seraient requis, si une décision de commencer était faite au cours de la seconde moitié de 1976 et le gisement "A" porté à la production commerciale dans les 41 mois suivant une telle décision, est de \$292 millions. Cette estimation comprend une provision pour les coûts de propriété, pour du travail d'aménagement additionnel, pour l'excédent des coûts sur le revenu au cours des trois ou quatre premiers mois de l'exploitation initiale, pour les exigences de fonds de roulement et les frais d'intérêt en supposant qu'environ 2/3 du nouveau financement proviendrait de dette.

## 2. La conception de l'exploitation et du recouvrement de la fibre et les évaluations s'y rattachant

Dans le rapport précédent l'estimation du coût pour mener le gisement à la production commerciale était de l'ordre de \$260 millions, exclusion faite de certaines exigences de fonds de roulement, de l'intérêt au cours de la construction et de tous les autres coûts de financement. Par la suite, l'on a fait des provisions pour les postes de fonds de roulement antérieurement exclus et pour l'excédent estimatif des dépenses sur le revenu des trois ou quatre premiers mois de l'exploitation initiale. Si l'on tient compte de ces nouvelles provisions, l'évaluation se chiffrait donc à \$270 millions. Après une révision complète de l'évaluation du coût et en tenant compte des nouveaux plans de mine à ciel ouvert avec pente plus prononcée, l'on pense qu'il serait possible de réduire les coûts de \$19 millions. Cette réduction serait compensée par une provision de \$24 millions qui, croit-on, couvrira l'augmentation additionnelle des coûts, en supposant que le projet débute en 1976 plutôt qu'en 1975. En supposant de plus qu'environ deux-tiers du nouveau capital requis proviendrait d'une dette portant intérêt au taux hypothétique de 10 pour cent par année, des frais d'intérêt d'environ \$17 millions devraient être encourus avant le début de la production commerciale. L'estimation de tous les nouveaux fonds requis se chiffre donc à \$292 millions au 1er mars 1976. Tel que mentionné auparavant, l'on révisé présentement d'autres possibilités de financement mais l'on n'a pas fait d'arrangements.

La conception de l'exploitation et du recouvrement des fibres d'amiante comprend ce qui suit:

L'enlèvement de 36 millions de verges cubes de mort-terrain non consolidé qui couvre le gisement. La plus grande partie de ce travail serait faite par dragage pompé avant le début de l'extraction du roc. Le pouvoir électrique requis pour le dragage devra être obtenu de moteurs diesel portatifs.

D'après les études techniques effectuées jusqu'à ce jour, environ 217 millions de tonnes de roche seraient extraites d'une mine à ciel ouvert dont les pentes ultimes pourraient atteindre jusqu'à 45 degrés de l'horizontale. Cette quantité comprend environ 82 millions de tonnes de roche presque stérile et près de 135 millions de roche porteuse de fibre.

La proportion du gisement réellement exploitée et les tonnages réellement traités dans l'usine (plutôt que rejetés comme étant stériles ou accumulés pour traitement possible à une date ultérieure) varieraient grandement selon un nombre important de facteurs, y compris les coûts alors en cours de la main-d'œuvre, de l'électricité, du matériel et





**La Société  
de minerais  
d'amiante  
d'Abitibi Limitée**

AUG 31 1979

# **Information Booklet**

**Merger of**

**BRINCO LIMITED**

**and**

**CONUCO LIMITED**

The information contained in this Information Booklet is supplemental to the information provided in the Information Circular. Unless otherwise noted, the information contained herein is given as of August 22, 1979.

Dated August 22, 1979.





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## SUMMARY

*The following is a summary of certain information contained in this Information Booklet relating to the proposed merger of Brinco Limited and Conuco Limited. More detailed information may be found elsewhere in this Information Booklet, and statements in the following summary are qualified by and made subject to the more extensive discussion contained elsewhere herein. In addition, this Information Booklet contains information not summarized in this summary.*

### Introduction

The shareholders of Conuco Limited ("Conuco") and Brinco Limited ("Brinco") are being asked to consider and vote upon the corporate steps necessary to accomplish the merger of their respective companies. The merger is to be effected pursuant to a merger and amalgamation agreement providing for the amalgamation of Conuco with three of its affiliated companies, namely Caballero Exploration Ltd., Canada 91639 Limited and Exalta Petroleum Ltd. Upon the amalgamation, the shareholders of the amalgamating companies (other than the amalgamating companies themselves) will receive one special share of the amalgamated company for each three common shares or convertible preferred shares of Conuco. Each special share will be exchangeable at the holder's option, for a period of 60 days following the amalgamation, into one common share, one preferred share Series A and one preferred share Series B of Brinco. At the end of the 60 day period, each special share which has not been so exchanged (other than special shares held by Brinco) will be redeemed for one common share, one preferred share Series A and one preferred share Series B of Brinco.

Brinco is currently the registered holder of one preferred share of Canada 91639 Limited which share will be converted into one common share of the amalgamated company, so that following the exchange and redemption of special shares of the amalgamated company referred to above, the amalgamated company will be a wholly-owned subsidiary of Brinco.

Reference is made to the chart entitled "Present Ownership of Conuco and Affiliated Companies" on page 5 and to the heading "Merger Steps" on page 6.

### Merging Companies

Brinco is a Newfoundland public company engaged, through subsidiaries and other interests, in the exploration for and development of natural resources in Canada and the United States, principally uranium, asbestos, zinc, lead, copper, gold, oil and natural gas. Reference is made to Part IV "Brinco" commencing on page 39.

Conuco is an Alberta public company engaged, directly and through subsidiaries (including Exalta Petroleum Ltd.), in the exploration for and development of oil and natural gas properties in Canada and the United States. Reference is made to Part III "Conuco and Affiliated Companies" commencing on page 25.

### Reasons for the Merger

The principal reason for the merger is to create a company which will be a stronger and more efficient entity in the Canadian natural resource industry than either Conuco or Brinco is at present. The respective boards of directors of Brinco and Conuco consider that a combination of current properties and assets and the experience of management of the two companies together with the financial resources of Brinco will be effective in achieving this goal and will result in a company which will be better able to provide a return to shareholders and future investors. For a more detailed discussion of the reasons for the merger reference is made to the heading "Reasons for Merger" on page 11.



## Required Shareholder Action

In order for the amalgamation of Conuco and its affiliated companies to become effective, in addition to adoption by the shareholders of the other amalgamating companies, the merger and amalgamation agreement must be adopted by at least 75% of the votes cast by the holders of common shares and convertible preferred shares of Conuco present in person or represented by proxy at separate meetings of the holders of such classes of shares. All of the directors and senior officers of Conuco intend to vote or to cause the shares of Conuco beneficially owned or controlled by them to be voted in favour of the adoption of the merger and amalgamation agreement. Such directors and officers as a group beneficially own or control approximately 60.4% of the issued and outstanding common shares and approximately 25.5% of the issued and outstanding convertible preferred shares of Conuco.

The amendment to the authorized capital of Brinco which is necessary to effect the merger must be approved by a resolution passed by at least 75% of the votes cast by the holders of common shares of Brinco present in person or represented by proxy at a shareholders meeting of Brinco. Thornwood Investments Limited, which holds 82.5% of the outstanding common shares of Brinco, intends to vote for the approval of such amendment.

## Conditions of Merger

In addition to approval of the merger by the shareholders as referred to above, the merger is subject to the satisfaction of a number of conditions, including obtaining approval under the Foreign Investment Review Act (Canada) and the approval of the Supreme Court of Alberta. In addition to any modification of the terms of the merger made by the shareholders, the parties to the merger and amalgamation agreement may, without further authorization by their respective shareholders, at any time prior to the amalgamation, modify any of the covenants or the performance of any of their respective obligations contained in the merger and amalgamation agreement. Their respective boards of directors may also, by mutual agreement, terminate the merger and amalgamation agreement without further action on the part of their respective shareholders. In approving the amalgamation, the Supreme Court of Alberta is required to have regard to the interests of dissentient shareholders but, subject to such requirements, dissentient shareholders will not have any right to have their shares appraised and to receive the appraised cash value thereof.

## Brinco Shares

**If the merger is approved, by the end of the 61st day following the amalgamation shareholders of Conuco (other than Canada 91639 Limited and Brinco) will receive one common share, one preferred share Series A and one preferred share Series B of Brinco for every three common shares or convertible preferred shares of Conuco held before the merger and will no longer hold any shares of Conuco.**

The preferred shares Series A of Brinco will have the following major attributes:

<i>Ranking:</i>	In priority to common shares on payment of dividends and on liquidation or distribution of assets.
<i>Dividends:</i>	Fixed cumulative preferential cash dividends at an annual rate of 7% per annum on par value (\$5.50) payable quarterly.
<i>Convertible:</i>	During five years from amalgamation into 0.55 of a common share, subject to adjustment in event of dilution.
<i>Retraction at Option of Holder:</i>	During a period of not less than 90 days upon expiration of five years from amalgamation at \$5.50 per share plus any accrued and unpaid dividends.
<i>Redemption by Brinco:</i>	Not redeemable for period of 30 months from amalgamation. Thereafter redeemable only if market price of common shares is not less than 150% of equivalent conversion price of preferred shares Series A (initially \$10.00).

*Issue of other shares ranking prior to or on a parity with preferred shares Series A:* May not be issued unless (i) adjusted consolidated net earnings available for dividends are equal to at least two times the annual dividend requirements on all preferred shares Series A and other shares ranking prior to or on a parity with the preferred shares Series A to be outstanding immediately after such issue and (ii) shareholders' equity is equal to at least one and one-half times the aggregate par value of all preferred shares Series A and other shares ranking prior to or on a parity with preferred shares Series A to be outstanding immediately after such issue.

*Voting Rights:* Each preferred share Series A will carry a fraction of a vote equal to the conversion basis of such share into common shares at all meetings of shareholders (initially 0.55 of a vote). In addition, while at least 10% of the total number of preferred shares Series A originally outstanding remains outstanding, holders of preferred shares Series A will be entitled to elect two directors.

The preferred shares Series B will have the following major attributes:

*Ranking:* On a parity with preferred shares Series A on liquidation or distribution of assets.

*Retraction at Option of Holder:* Upon 30 days' notice during 12 months following amalgamation at a price of \$5.50 per share.

*Convertible at Option of Holder:* During 12 months following amalgamation into 0.55 of a common share, subject to adjustment in event of dilution.

*Deemed Conversion:* Upon expiration of 12 months following amalgamation, any outstanding preferred shares Series B will automatically convert into common shares upon conversion basis then in effect.

*Issue of other shares ranking prior to or on a parity with preferred shares Series B:* May not be issued unless shareholders' equity is equal to at least one and one-half times aggregate par value of all preferred shares Series B and other shares ranking prior to or on a parity with preferred shares Series B to be outstanding immediately after such issue.

*Voting Rights:* Each preferred share Series B will carry a fraction of a vote equal to the conversion basis of such share into common shares at all meetings of shareholders (initially 0.55 of a vote).

Holders of common shares of Brinco will be entitled to dividends if, as and when declared by the directors, subject to the prior rights of holders of preferred shares. In the event of the liquidation, dissolution or winding-up of Brinco, such holders would be entitled to receive the remaining assets of Brinco after all required payments to the holders of preferred shares. Holders of common shares are entitled to one vote for each common share at all meetings of shareholders except meetings at which only holders of another class or series are entitled to vote.

Reference is also made to Part V of this Information Booklet entitled "Description of Brinco Shares" commencing on page 56. The entire text of the terms and conditions to be attached to the preferred shares of Brinco as a class and to the preferred shares Series A and preferred shares Series B of Brinco, in particular, are set out in the Appendix to this Information Booklet.

### **Tax Consequences**

**For many Conuco Shareholders, the exchange of their special shares of the amalgamated company into shares of Brinco as referred to above will not result in any income tax liability pursuant to the Income Tax Act (Canada). However, if such holders fail to exchange their special shares during the 60 day period following the amalgamation, thereby permitting such special shares to be redeemed, they may incur income tax liability. Prior to the amalgamation, Conuco will apply for a ruling from the United States Internal Revenue Service to the effect that the merger and amalgamation will constitute a tax-free reorganization for purposes of United States federal income**



**taxes.** The Canadian and United States income tax consequences of the merger are discussed under the heading "Income Tax Consequences" on page 17.

### Opinion as to Fairness

McLeod Young Weir Limited, the financial advisor to Brinco, has at the request of Brinco and Conuco, furnished an opinion to the respective shareholders of Conuco and Brinco to the effect that the merger is fair and equitable from a financial point of view to the shareholders of Conuco and any dilution to the shareholders of Brinco resulting from the merger is more than compensated for by other benefits to Brinco resulting from the merger. A copy of this opinion appears on page 93. Reference is also made to the heading "Exchange Ratio and Financial Advisor's Opinion" on page 11.

### Summary of Financial Data

The following table sets forth historical and pro-forma financial data for the periods indicated, which has been derived from the historical and pro-forma consolidated financial statements of Conuco and Brinco appearing elsewhere in this Information Booklet and which should be read in conjunction with those financial statements and related notes.

	<u>Brinco</u>	<u>Conuco</u>	<u>Merged Company — Pro-Forma <sup>(1)</sup></u>
	(Year Ended December 31, 1978)	(Year Ended March 31, 1979)	(Year Ended March 31, 1979)
Gross Revenues	\$ 3,812,000	\$1,830,000	\$ 5,912,000
Earnings (Loss) before Extraordinary Item	\$ 86,000	\$ (327,000)	\$ (358,000)
Net Earnings (Loss)	\$ 1,662,000 <sup>(2)</sup>	\$ (327,000)	\$ (350,000) <sup>(3)</sup>
Earnings (Loss) per common share before Extraordinary Item	0.6¢	(9.0¢)	(7.0¢)
Net Earnings (Loss) per common share	11.3¢ <sup>(2)</sup>	(9.0¢)	(7.0¢) <sup>(3)</sup>
Working Capital	\$44,757,000	\$ 716,000	\$45,100,000
Exploration and Development Expenditures	\$ 4,270,000	\$3,406,000	\$ 7,923,000

#### Notes:

- (1) The pro-forma summary financial data has been prepared by aggregating the figures on the respective financial statements of Brinco and Conuco for the 12 months ended March 31, 1979.
- (2) These figures include an extraordinary gain of \$1,576,000 relating to the increase in book value of Brinco's investment in Coseka Resources Limited as a result of Coseka's acquisition in February 1978 of Taiga Resources Limited.
- (3) The pro-forma net earnings (loss) and net earnings (loss) per common share of the Merged Company for the 12 months ended March 31, 1979 do not include the extraordinary gain referred to in Note 2.

## I. GLOSSARY OF TERMS

In this Information Booklet:

"Amalgamation" means the amalgamation of Conuco, Caballero, 91639 and Exalta to constitute Resources and with reference to a point in time means the time of issue of a certificate of amalgamation with respect thereto pursuant to section 156 of The Companies Act (Alberta);

"Brinco" means Brinco Limited, a company incorporated under the laws of Newfoundland;

"Brinco Common Shares" means common shares without nominal or par value in the capital of Brinco;

"Brinco Preferred Shares" means the class of preferred shares with a par value of \$5.50 each in the capital of Brinco, issuable by the directors of Brinco in series having the terms and conditions set out in Part A to the Appendix, and of which the Brinco Preferred Shares Series A and the Brinco Preferred Shares Series B will be the first two series;

"Brinco Preferred Shares Series A" means the first series of Brinco Preferred Shares which shall be designated as 7% cumulative convertible redeemable retractable preferred shares series A and shall have the terms and conditions set out in Part B to the Appendix;

"Brinco Preferred Shares Series B" means the second series of Brinco Preferred Shares which shall be designated as convertible retractable preferred shares series B and shall have the terms and conditions set out in Part C to the Appendix;

"Brinco Shares" means collectively the Brinco Common Shares, the Brinco Preferred Shares Series A and the Brinco Preferred Shares Series B;

"Brinco Shareholders Meeting" means the Extraordinary General Meeting of shareholders of Brinco to be held on September 24, 1979 in respect of which this Information Booklet is being provided and which is being held for the purposes of, among other things, considering and, if thought fit, approving the execution and delivery by Brinco of the Merger and Amalgamation Agreement and approving the performance by Brinco of its obligations therein contained including, without limitation, the creation of the Brinco Preferred Shares;

"Caballero" means Caballero Exploration Ltd., a company incorporated under the laws of Alberta;

"Conuco" means Conuco Limited, a company continued under the laws of Alberta;

"Conuco Common Shares" means the common shares without nominal or par value in the capital of Conuco;

"Conuco Convertible Preferred Shares" means the convertible redeemable cumulative preferred shares with a nominal or par value of \$3.50 each in the capital of Conuco;

"Conuco Shareholders" means collectively the holders of the Conuco Shares (other than 91639), the holders of the common shares without nominal or par value of Caballero and the holders of the common shares without nominal or par value of 91639 (other than Caballero);

"Conuco Shareholders Meetings" means the Annual and Special General Meeting of shareholders of Conuco and the Special General Meeting of holders of Conuco Convertible Preferred Shares to be held on September 26, 1979 in respect of which this Information Booklet is being provided and which are being held for the purposes of, among other things, considering and, if thought fit, adopting the Merger and Amalgamation Agreement and approving the transactions contemplated thereby;

"Conuco Shares" means collectively the Conuco Common Shares and the Conuco Convertible Preferred Shares;

"Exalta" means Exalta Petroleum Ltd., a company incorporated under the laws of Alberta;

“Exchange Privilege” means the exchange privilege to be attached to the Resources Special Shares whereby a holder of such shares may exchange such shares during the Interim Period for Brinco Shares as described under the heading “Merger Steps — Exchange Privilege” on page 7;

“Interim Period” means the period of time commencing upon the Amalgamation and terminating at the close of business on the 60th day thereafter;

“Merged Company” means Brinco and its subsidiary companies as it will exist after completion of the exchange and redemption of Resources Special Shares for Brinco Shares as described under the heading “Merger Steps” commencing on page 6;

“Merger” means the merger of Brinco with Conuco, Caballero, 91639 and Exalta as provided for in the Merger and Amalgamation Agreement;

“Merger and Amalgamation Agreement” means the Merger and Amalgamation Agreement made as of June 13, 1979 among Conuco, Caballero, 91639, Exalta and Brinco providing for the Merger;

“Merging Companies” means, collectively, Conuco, Caballero, 91639, Exalta and Brinco;

“Redemption Obligation” means the obligation of Resources to redeem Resources Special Shares as described under the heading “Merger Steps — Redemption Obligation” on page 8;

“Resources” means the Alberta company to be constituted upon the Amalgamation under the name ‘Conuco Resources Limited’;

“Resources Special Shares” means the exchangeable redeemable preferred shares without nominal or par value to be constituted as part of the capital of Resources upon the Amalgamation;

“RTZ” means The Rio Tinto-Zinc Corporation Limited;

“RTZ Group” means RTZ and its affiliated companies;

“91639” means Canada 91639 Limited, a company continued under the laws of Alberta; and

“U<sub>3</sub>O<sub>8</sub>” means the oxide of uranium which is the major component of yellow cake — the usual output of a uranium mill.

All dollar amounts stated in this Information Booklet are in Canadian dollars.



## **II. THE PROPOSED MERGER**

The following description of the Merger is qualified in its entirety by reference to the full text of the Merger and Amalgamation Agreement, conformed copies of which are available for inspection by shareholders of the Merging Companies during normal business hours at the executive offices of Brinco, 10th floor, 20 King Street West, Toronto, Ontario and Conuco, 400, 706 - 7th Avenue S.W., Calgary, Alberta; at the principal office of the transfer agent for the Brinco Common Shares, The Royal Trust Company, in the cities of St. John's, Montreal, Toronto and Calgary; and at the principal office of Conuco's transfer agent, Guaranty Trust Company of Canada, in the cities of Montreal, Toronto and Calgary. Conformed copies of the Merger and Amalgamation Agreement will also be made available to shareholders of the Merging Companies without charge upon request to the secretary of either Conuco or Brinco.

### **Effect of the Merger**

At separate meetings held on June 13 and June 14, 1979 the executive committee of the board of directors of Brinco and the respective boards of directors of Conuco, Caballero, 91639 and Exalta approved the Merger and Amalgamation Agreement.

Pursuant to the Merger and Amalgamation Agreement, a number of steps are proposed to be carried out at the conclusion of which:

- (a) Resources, as the successor company to Conuco, Caballero, 91639 and Exalta, will be a wholly-owned subsidiary of Brinco; and
- (b) Conuco Shareholders will become shareholders of Brinco by receiving one Brinco Common Share, one Brinco Preferred Share Series A and one Brinco Preferred Share Series B for every three Conuco Shares which such shareholders own, directly or through Caballero and 91639, immediately prior to the Amalgamation.

Immediately upon termination of the Interim Period and completion of the Redemption Obligation:

- (a) assuming no conversion of the Brinco Preferred Shares Series A or Brinco Preferred Shares Series B and no exercise of any employee stock options of Brinco, the Conuco Shareholders will collectively hold (on the basis of shares outstanding on August 22, 1979) approximately 12.8% of the Brinco Common Shares and approximately 23.5% of the voting rights attached to the outstanding shares of Brinco of all classes; and
- (b) assuming full conversion of the Brinco Preferred Shares Series A and Brinco Preferred Shares Series B but no exercise of any employee stock options of Brinco, the Conuco Shareholders will collectively hold (on the basis of shares outstanding on August 22, 1979) approximately 23.5% of the Brinco Common Shares and approximately 23.5% of the voting rights attached to the outstanding shares of Brinco of all classes.

As Brinco (a Newfoundland company) and Conuco, Caballero, 91639 and Exalta (Alberta companies) are incorporated in different jurisdictions, a direct statutory amalgamation among all of the Merging Companies is not possible. However, by following the series of steps described commencing on page 6, a merger of Brinco with Conuco, Caballero, 91639 and Exalta may be effected with results comparable to that which would have been achieved pursuant to a direct statutory amalgamation.

### **Merging Companies**

Brinco is a Newfoundland public company engaged, through subsidiaries and other interests, in the exploration for and development of natural resources in Canada and the United States, princi-



pally uranium, asbestos, zinc, lead, copper, gold, oil and natural gas. Reference is made to Part IV "Brinco" commencing on page 39.

Conuco is an Alberta public company engaged, directly and through subsidiaries, (including Exalta) in the exploration for and development of oil and natural gas properties in Canada and the United States. Reference is made to Part III "Conuco and Affiliated Companies" commencing on page 25.

In addition to Brinco and Conuco, the Merger involves three private Alberta companies, all of which are affiliated with Conuco, namely Caballero, 91639 and Exalta.

As of August 22, 1979, approximately 57.3% (or 3,216,307 Conuco Common Shares) of the outstanding Conuco Common Shares is owned by directors and senior officers of Conuco through 91639. 91639 does not carry on any active business and its sole asset consists of the 3,216,307 Conuco Common Shares. 91639 has four common shares without nominal or par value outstanding (the "91639 Common Shares"), three of which are owned by Caballero, and one of which is owned by a private Alberta company named Riback Investment Corporation Limited ("Riback Investments"), all the outstanding shares of which are owned by Mr. M. Ted Riback, a director of Conuco.

91639 also has outstanding one redeemable non-voting preferred share with a par value of \$1.00 (the "91639 Preferred Share") which was purchased at par by Brinco on June 14, 1979 for the purpose of effecting the Merger.

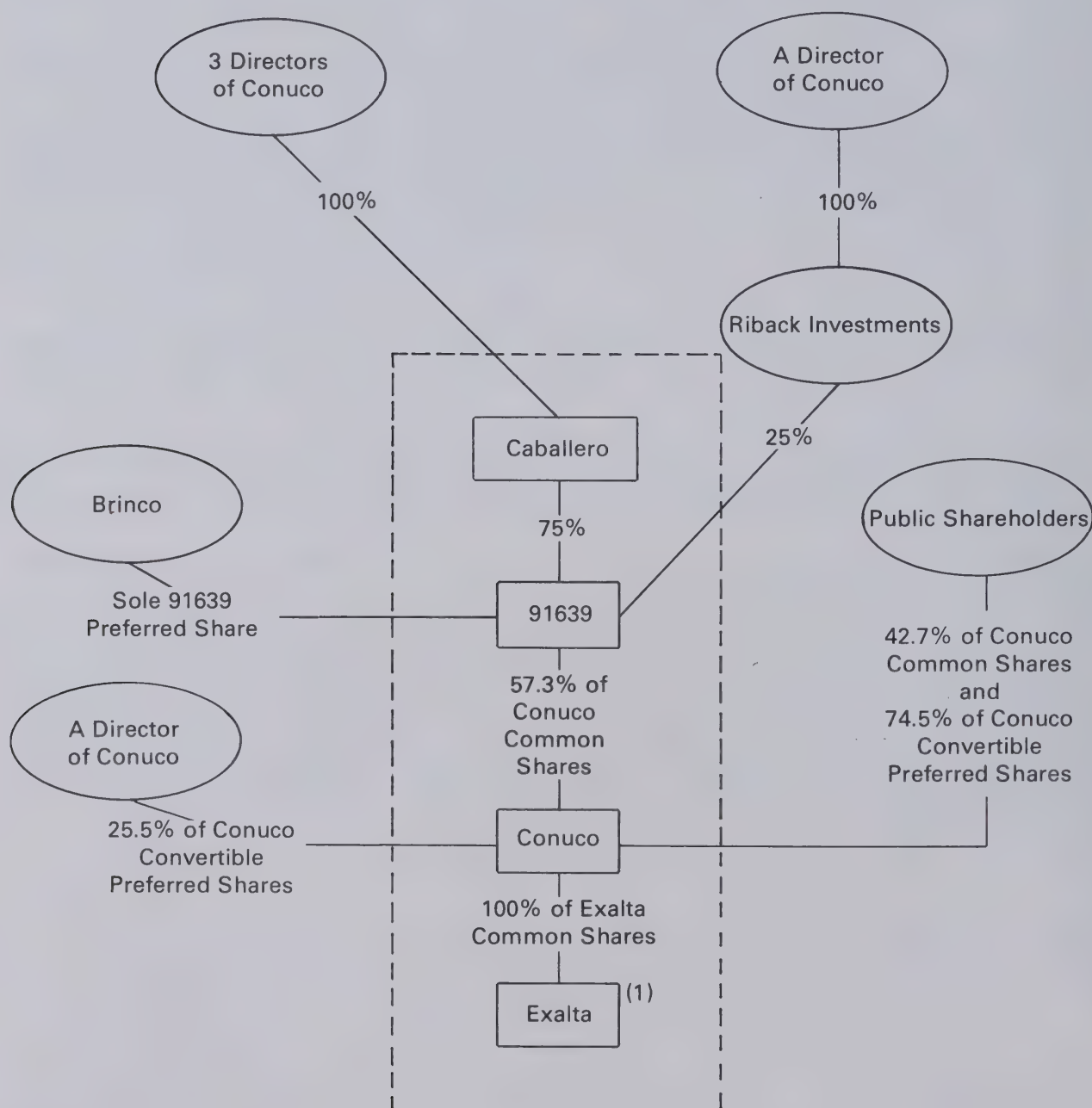
Caballero does not carry on any active business and its sole asset consists of the three 91639 Common Shares referred to above. Caballero has outstanding six common shares without nominal or par value (the "Caballero Common Shares"), two of which are owned by each of three private Alberta companies, which in turn are respectively owned by senior management of Conuco.

Reference is made to the heading "Conuco — Holders of Securities" on page 25 for further information concerning Caballero and 91639.


Conuco owns all the outstanding common shares without nominal or par value of Exalta (the "Exalta Common Shares"). Exalta also has outstanding 1,568,185 Class A 4% cumulative redeemable convertible preferred shares with a par value of \$1.00 each (the "Exalta Preferred Shares"), all of which are owned by Riback Investments. Pursuant to the Merger and Amalgamation Agreement, the Exalta Preferred Shares will be redeemed prior to the Amalgamation. Reference is made to Part III "Conuco and Affiliated Companies" commencing on page 25 for further information concerning Exalta.

The following chart depicts the present ownership of Conuco and its affiliated companies as described above.

### Present Ownership of Conuco and Affiliated Companies



#### NOTES:

 indicates Amalgamating Companies

- (1) All of the outstanding Exalta Preferred Shares are owned by Riback Investments and will be redeemed prior to Amalgamation.
- (2) Brinco also owns 40,600 Conuco Common Shares, representing less than 1% of the outstanding Conuco Common Shares and which for purposes of the above chart and the chart and table appearing on page 9 have been treated as being held by the public.

## Merger Steps

**Amalgamation.** Conuco, Caballero, 91639 and Exalta will amalgamate (the “Amalgamation”) pursuant to The Companies Act (Alberta) to constitute one continuing Alberta company, to be named ‘Conuco Resources Limited’ (“Resources”). For the Amalgamation to become effective under The Companies Act (Alberta):

- (i) the Merger and Amalgamation Agreement must be adopted, with or without variation, by at least 75% of the votes cast by the holders of Conuco Common Shares and Conuco Convertible Preferred Shares present in person or represented by proxy voting separately as a class at the Conuco Shareholders Meetings and by at least 75% of the votes cast by the respective holders of the Caballero Common Shares, the 91639 Common Shares, the 91639 Preferred Share, the Exalta Common Shares and the Exalta Preferred Shares;
- (ii) the Merger and Amalgamation Agreement must be approved by the Supreme Court of Alberta (following written approval by the Registrar of Companies of Alberta); and
- (iii) the Registrar of Companies of Alberta must have issued a certificate in respect of the Amalgamation.

All of the directors and senior officers of Conuco intend to vote or cause to be voted in favour of the adoption of the merger and amalgamation agreement, the Conuco Shares, the Caballero Common Shares, the 91639 Common Shares, the Exalta Common Shares and the Exalta Preferred Shares beneficially owned or controlled by them. Reference is made to the headings “Merging Companies” on page 3 and “Conuco — Holders of Securities” on page 25.

**Creation and Issue of Brinco Shares.** Prior to the Amalgamation becoming effective Brinco will amend its present authorized capital by the creation of 10,000,000 Brinco Preferred Shares issuable in series. To become effective, such amendment to Brinco’s capital must be approved by a resolution passed by at least 75% of the votes cast by the holders of Brinco Common Shares present in person or represented by proxy at the Brinco Shareholders Meeting and a copy of such resolution registered by the Registrar of Companies under The Companies Act (Newfoundland). Thornwood Investments Limited (“Thornwood”), which holds approximately 82.5% of the outstanding Brinco Common Shares, intends to vote such shares for the approval of the execution and delivery of the Merger and Amalgamation Agreement and, in particular, the creation of the Brinco Preferred Shares. Following the creation of such shares, the board of directors of Brinco will designate the Brinco Preferred Shares Series A and the Brinco Preferred Shares Series B as the first two series of such Brinco Preferred Shares and will conditionally issue and allot such Brinco Preferred Shares Series A and Brinco Preferred Shares Series B, together with a sufficient number of Brinco Common Shares, to provide for the exercise by a holder of Resources Special Shares of the Exchange Privilege and/or the subsequent redemption by Resources of any Resources Special Shares then outstanding pursuant to the Redemption Obligation. The board of directors of Brinco will, at the same time, conditionally allot a sufficient number of Brinco Common Shares against the eventual exercise by a holder of Brinco Preferred Shares Series A and Brinco Preferred Shares Series B of the conversion privileges to be attached to such shares.

**Court Approval and Effective Date of Amalgamation.** Immediately after the Amalgamation has been approved by the requisite shareholders’ votes and the Brinco Preferred Shares Series A and Brinco Preferred Shares Series B have been created, the Merging Companies will jointly apply to the Supreme Court of Alberta for an order approving the Amalgamation subject to the satisfaction of any then unsatisfied conditions to the Amalgamation. It is intended that all shareholders of Conuco, Caballero, 91639 and Exalta will be given adequate advance notice of the time and place of the hearing of the application for such order and that such notice will advise such shareholders of their right to appear at such hearing and to present evidence or testimony with respect to the fairness of the terms and conditions of the Amalgamation and of the exchange of their shares for or into Brinco Shares as contemplated by the Merger and Amalgamation Agreement. The Supreme Court of Alberta will be requested to issue an order which will (i) recite that the Court has considered the fairness to the shareholders of Conuco, Caballero, 91639 and Exalta of the



conversion of their respective shares into Resources Special Shares and the exchange of such Resources Special Shares for or into Brinco Shares as provided in the Merger and Amalgamation Agreement, and (ii) contain a finding that no shareholder or creditor of any of Conuco, Caballero, 91639 and Exalta will be adversely affected or prejudiced by the Amalgamation and that all transactions contemplated by the Merger and Amalgamation Agreement are fair to the shareholders of all such companies. If the Amalgamation is approved by the Supreme Court of Alberta and all conditions are satisfied, the Merging Companies will file with the Registrar of Companies of Alberta such final court order and other material as may be required by such Registrar in order that he may issue a certificate making the Amalgamation effective.

Upon the issuance of such certificate, the Merger and Amalgamation Agreement will have full force and effect and (i) Conuco, Caballero, 91639 and Exalta will be amalgamated and continue as one company under the name 'Conuco Resources Limited', as more fully described under the heading "Amalgamated Company" on page 14; and (ii) Resources will possess all the property, rights, privileges and franchises and will be subject to all the liabilities, contracts and debts of each of Conuco, Caballero, 91639 and Exalta.

**Share Conversions.** Prior to the Amalgamation, Exalta will redeem all outstanding Exalta Preferred Shares at their aggregate par value (\$1,568,185) with funds provided for that purpose by Brinco. Upon the Amalgamation becoming effective:

- (i) the 91639 Preferred Share held by Brinco will be converted into one common share without nominal or par value of Resources;
- (ii) the 91639 Common Shares held by Caballero will be cancelled without repayment of capital;
- (iii) the Conuco Common Shares held by 91639 will be cancelled without repayment of capital;
- (iv) the Exalta Common Shares held by Conuco will be cancelled without repayment of capital;
- (v) the Conuco Shares held by shareholders of Conuco, other than 91639, (the "Conuco Public Shareholders") will be converted into one Resources Special Share for every three Conuco Common Shares or Conuco Convertible Preferred Shares, or any combination thereof;
- (vi) the Caballero Common Shares (all held by certain directors and senior officers of Conuco through private Alberta companies) will be converted into Resources Special Shares on the basis of 268,025 Resources Special Shares for every two Caballero Common Shares\*; and
- (vii) the 91639 Common Share held by Riback Investments will be converted into 268,025 Resources Special Shares\*\*.

Reference is made to the heading "Tables of Conversion" on page 9 for a table illustrating the manner in which shares will be converted upon the Amalgamation.

\*This conversion ratio has been determined on the basis of the number of Conuco Shares held indirectly by Caballero through 91639 and is based on the same exchange ratio of one Resources Special Share for every three Conuco Shares as in the case of the Conuco Public Shareholders.

\*\* This conversion ratio has been determined on the basis of the number of Conuco Shares held indirectly by Riback Investments through 91639 and is based on the same share exchange ratio of one Resources Special Share for every three Conuco Shares as in the case of the Conuco Public Shareholders.

**Exchange Privilege.** For a period ending on the close of business on the 60th day following the Amalgamation (the "Interim Period"), each Resources Special Share, by its terms, may be exchanged by a holder thereof into one Brinco Common Share, one Brinco Preferred Share Series A and one Brinco Preferred Share Series B. Reference is made to Part V "Description of Brinco Shares" commencing on page 56 for a description of the material attributes of the Brinco Shares. Reference is also made to the heading "Exchange of Shares; Share Certificates and Fractional Interests" on page 16 for details on the procedure whereby a holder of Resources Special Shares may exchange his Resources Special Shares for Brinco Shares.



**Redemption Obligation.** On the day immediately following the termination of the Interim Period (the "Redemption Date"), Resources will redeem all Resources Special Shares then outstanding other than those held by Brinco (the "Remaining Resources Special Shares"), in accordance with their terms, for three unsecured non-interest bearing debentures of Brinco (the "Brinco Debentures") which, by their terms, will be respectively convertible into the same total number of Brinco Common Shares, Brinco Preferred Shares Series A and Brinco Preferred Shares Series B which would have been issued to holders of Remaining Resources Special Shares had they elected to exercise the Exchange Privilege. Resources shall purchase the Brinco Debentures from Brinco with funds provided for that purpose by Brinco by way of Brinco subscribing for additional common shares of Resources immediately prior to the purchase by Resources of such Brinco Debentures.

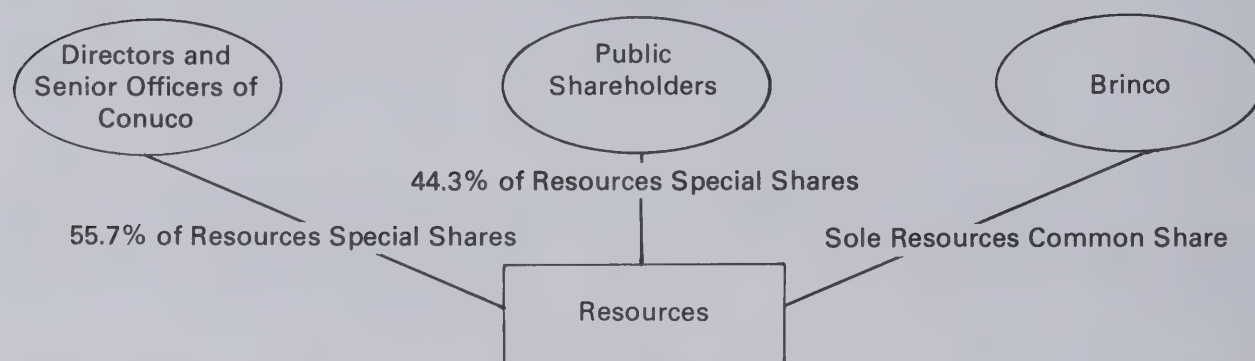
The principal amount of each Brinco Debenture will be equal to the aggregate of the fair market value of the Brinco Shares into which it is convertible. For purposes of determining the respective principal amounts, the "fair market value" of the Brinco Shares shall be, in the case of a Brinco Preferred Share Series A and a Brinco Preferred Share Series B, \$5.50 each (i.e. the par value of each such share) and, in the case of a Brinco Common Share, the average of the closing sales prices (or if there were no sales, the closing bid prices) of a Brinco Common Share on The Toronto Stock Exchange as at the close of business on the five days immediately prior to the Redemption Date.

To effect the Redemption Obligation, Resources will transfer the Brinco Debentures, immediately following their issue, to the transfer agent for the Resources Special Shares to be held by it on behalf of the holders of such Remaining Resources Special Shares. The terms of the Brinco Debentures will provide that they will be automatically converted upon their transfer to such transfer agent into one Brinco Common Share, one Brinco Preferred Share Series A and one Brinco Preferred Share Series B for each Remaining Resources Special Share so redeemed with the result that the transfer agent will then hold such Brinco Shares on behalf of the holders of the Remaining Resources Special Shares. The transfer agent will then distribute the Brinco Shares to the holders of Remaining Resources Special Shares, as their interests may appear. Reference is made to the headings "Exchange of Shares; Share Certificates and Fractional Interests" on page 16 and "Amalgamated Company — Transfer Agent and Registrar" on page 15. Reference is also made to the heading "Amalgamated Company — Description of Resources Special Shares" on page 14 for a further description of the material attributes of the Resources Special Shares.

After giving effect to the exercise of the Exchange Privilege and the Redemption Obligation, as described above, the Conuco Shareholders will hold Brinco Shares and Brinco will own all the outstanding shares of Resources.

The following chart depicts the direct and indirect shareholdings of Resources immediately upon the Amalgamation.

**Share Ownership of Conuco Resources Limited  
Upon Amalgamation**



**Tables of Conversion**

**(a) Upon the Amalgamation**

The following table illustrates the manner in which shares of Conuco, Caballero, 91639 and Exalta will be converted upon the Amalgamation.

Amalgamating Company	Number and Class of Shares Outstanding Prior to Amalgamation (1)	Shares of Resources Issued Upon Amalgamation (2)
Conuco	2,394,720 Common Shares held by Conuco Public Shareholders 3,216,307 Common Shares held by 91639 876,357 Convertible Preferred Shares	798,240 Special Shares (3) — (7) 292,119 Special Shares (4)
Caballero	6 Common Shares	804,075 Special Shares (5)
91639	1 Common Share held by Riback Investments 3 Common Shares held by Caballero 1 Preferred Share	268,025 Special Shares — (7) 1 Common Share
Exalta	1,231,488 Common Shares 1,568,185 Preferred Shares	— (7) — (6)
		TOTAL: 1 Common Share 2,162,459 Special Shares

**NOTES:**

- (1) These figures are given as of August 22, 1979 and do not give effect to any subsequent issue prior to the Amalgamation of Conuco Common Shares as a result of conversion of Conuco Convertible Preferred Shares into Conuco Common Shares (convertible by their terms on a one for one basis) or pursuant to existing options to acquire Conuco Common Shares granted to employees of Conuco (maximum of 148,000 Conuco Common Shares).
- (2) The material attributes of the Resources Special Shares are described under the headings "Merger Steps" on page 6 and "Amalgamated Company — Description of Resources Special Shares" on page 14.

- (3) To be issued to holders of Conuco Common Shares (other than 91639) on the basis of one Resources Special Share for every three Conuco Common Shares.
- (4) To be issued on the basis of one Resources Special Share for every three Conuco Convertible Preferred Shares.
- (5) To be issued on the basis of 268,025 Resources Special Shares for every two Caballero Common Shares.
- (6) The Merger and Amalgamation Agreement provides that the Exalta Preferred Shares will be redeemed by Exalta prior to the Amalgamation.
- (7) The Conuco Common Shares held by 91639, the 91639 Common Shares held by Caballero and all of the issued Exalta Common Shares will be cancelled upon the Amalgamation.

**(b) Upon Exchange and Redemption of Resources Special Shares**

The following table illustrates the manner in which Resources Special Shares will be exchanged into or redeemed for Brinco Shares. For details of the principal holders of securities of Brinco after the Merger see page 52.

Description (1)	Brinco Shares Outstanding Prior to Amalgamation (2)	Brinco Shares to be Issued Upon Exchange and Redemption (2) (3) (4)	Brinco Shares Outstanding on Completion of Exchange and Redemption (3)
Brinco Common Shares	14,675,018	2,148,928	16,823,946
Brinco Preferred Shares Series A	—	2,148,928	2,148,928
Brinco Preferred Shares Series B	—	2,148,928	2,148,928

**NOTES:**

- (1) The material attributes of the Brinco Shares are described under the heading "Description of Brinco Shares" commencing on page 56.
- (2) These figures do not give effect to the issue of any Conuco Shares subsequent to August 22, 1979 and prior to the Amalgamation pursuant to existing options to acquire Conuco Common Shares granted to employees of Conuco (convertible upon the Amalgamation, if such options are previously exercised, into a maximum of 49,333 Resources Special Shares) or to the issue of any Brinco Common Shares prior to the completion of the exchange and redemption of Resources Special Shares pursuant to existing options to acquire Brinco Common Shares granted to employees of Brinco (maximum of 147,000 Brinco Common Shares). As to arrangements made with employees of Conuco who hold options to acquire Conuco Common Shares see the heading "Stock Options" on page 64.
- (3) These figures are given as of August 22, 1979 and do not give effect to any conversion by holders of Brinco Preferred Shares Series A and Brinco Preferred Shares Series B into Brinco Common Shares between the Amalgamation and the completion of the exchange and redemption of Resources Special Shares.
- (4) To be issued on the basis of one Brinco Common Share, one Brinco Preferred Share Series A and one Brinco Preferred Share Series B for every one Resources Special Share other than the 13,533 Resources Special Shares into which the 40,600 Conuco Common Shares held by Brinco will be converted upon the Amalgamation.



## **Reasons for Merger**

For some time Brinco has been engaged in the exploration for and development of natural resources, principally uranium and other minerals and has sought to extend these activities into exploration for and development of oil and natural gas properties. From 1964 until December 1978 Brinco was engaged in exploration for oil and natural gas in the Province of Newfoundland with various partners. At present Brinco's involvement in the oil and gas industry is by way of a 25.3% equity interest in Coseka Resources Limited, a Canadian oil and gas company.

Conuco has reached the stage in its development where its capital requirements are such that significantly large amounts of funds are necessary in order to maintain and profitably increase its growth rate in the oil and gas industry.

The respective boards of directors of Conuco and Brinco consider the Merger to be advantageous to both the Conuco Shareholders and the shareholders of Brinco and that the resulting Merged Company will be a stronger and more efficient entity in the Canadian natural resource industry than either Conuco or Brinco is at present.

The board of directors of Conuco considers that the financial resources of Brinco will enable the Merged Company to meet its future capital requirements and provide the Merged Company with a greater ability to operate as a broadly based Canadian resource company principally in the exploration for and development and production of oil and natural gas, uranium, and other mineral resources. An important factor in this consideration is Brinco's undertaking to Conuco to spend an aggregate of approximately \$25,000,000 on an accelerated oil and gas exploration and development programme, principally in Canada, over five years following the Amalgamation, in reasonably equal amounts per year. This commitment is subject to the condition that Brinco will not be committed to spend the entire portion of such funds allocated to any year during such year should changes occur in the oil and gas industry or in the markets for oil and gas which, in Brinco's reasonable opinion, make the expenditure of such amounts undesirable. Reference is also made to the heading "Approval under the Foreign Investment Review Act" on page 15.

Brinco's board of directors considers that the present property and asset base of Conuco and the experience of Conuco's management provide an important foundation for achieving the objectives of the Merged Company as outlined above.

## **Exchange Ratio and Financial Advisor's Opinion**

The terms of the Merger, including the ratios for the eventual conversion of the Conuco Shares held directly or indirectly by the Conuco Shareholders into Brinco Shares, were negotiated by the respective managements of Conuco and Brinco and were unanimously approved by the executive committee of the board of directors of Brinco and by the respective boards of directors of each of the other Merging Companies after careful consideration of the terms of the Merger, analysis of the effect thereof on the respective opportunities and prospects for Conuco and Brinco and review of such available information regarding the others of Brinco, Exalta, 91639, Caballero and Conuco, as the case may be, as was considered advisable in the circumstances.

In the course of negotiations, the board of directors of Conuco considered, among other things, a valuation by McLeod Young Weir Limited ("McLeod"), the financial advisor to Brinco, in respect of the outstanding Brinco Common Shares as of April 30, 1979.

In order to assist shareholders of both companies in their consideration of the Merger, the boards of directors of Brinco and Conuco requested McLeod to furnish an opinion to the Conuco Shareholders as to whether the proposed exchange ratio of the Conuco Shares into Brinco Shares is fair and equitable to them from a financial point of view and to advise the shareholders of Brinco whether in the opinion of McLeod the proposed transaction includes sufficient benefits to the shareholders of Brinco to compensate for any dilution to their existing shareholdings. The opinions of McLeod are expressed in the letter appearing on page 93.



In arriving at its opinions, McLeod had regard to the underlying asset values of each of Conuco and Brinco and the stock market performance of the common shares of each company. In particular, McLeod examined reports of two independent petroleum engineering consulting firms with respect to the reserves of Conuco, namely a report as of May 31, 1979 by D & S Petroleum Consultants (1974) Ltd. and a report as of March 31, 1979 by McDaniel Consultants (1965) Ltd. Reference is made to the heading "Conuco — Reserves" on page 34.

### Trading Pattern of Brinco Common Shares and Conuco Common Shares

The following table summarizes the market price ranges and volumes of trading of Brinco Common Shares and Conuco Common Shares on the Toronto and Montreal stock exchanges (and includes the relevant information for Conuco on the Alberta Stock Exchange).

	BRINCO			CONUCO		
	High (\$)	Low (\$)	Volume (Shares)	High (\$)	Low (\$)	Volume (Shares)
<u>1978</u>						
August	8 <sup>1</sup> / <sub>8</sub>	4 <sup>7</sup> / <sub>8</sub>	217,712	4 <sup>1</sup> / <sub>8</sub>	3 <sup>1</sup> / <sub>4</sub>	36,555
September	9	6	149,369	4 <sup>1</sup> / <sub>8</sub>	3 <sup>3</sup> / <sub>8</sub>	102,725
October	8 <sup>5</sup> / <sub>8</sub>	6	54,598	5 <sup>1</sup> / <sub>4</sub>	4	112,730
November	7 <sup>3</sup> / <sub>8</sub>	6 <sup>1</sup> / <sub>8</sub>	40,499	5 <sup>1</sup> / <sub>2</sub>	4	339,980
December	7 <sup>7</sup> / <sub>8</sub>	6	43,132	6 <sup>1</sup> / <sub>8</sub>	4 <sup>7</sup> / <sub>8</sub>	83,371
<u>1979</u>						
January	7 <sup>3</sup> / <sub>4</sub>	6 <sup>5</sup> / <sub>8</sub>	39,332	6 <sup>1</sup> / <sub>4</sub>	5 <sup>1</sup> / <sub>4</sub>	465,418
February	8 <sup>1</sup> / <sub>8</sub>	6 <sup>5</sup> / <sub>8</sub>	65,742	5 <sup>3</sup> / <sub>8</sub>	4 <sup>5</sup> / <sub>8</sub>	61,591
March	9 <sup>1</sup> / <sub>2</sub>	7 <sup>7</sup> / <sub>8</sub>	213,587	6 <sup>1</sup> / <sub>2</sub>	5	235,604
April	9	7 <sup>1</sup> / <sub>8</sub>	50,143	6 <sup>1</sup> / <sub>2</sub>	5 <sup>5</sup> / <sub>8</sub>	138,647
May (1)	8 <sup>1</sup> / <sub>2</sub>	7 <sup>1</sup> / <sub>8</sub>	111,163	6 <sup>3</sup> / <sub>8</sub>	5	257,676
June	8 <sup>3</sup> / <sub>4</sub>	7 <sup>1</sup> / <sub>2</sub>	60,231	5 <sup>3</sup> / <sub>4</sub>	5	144,740
July	8 <sup>1</sup> / <sub>8</sub>	7 <sup>1</sup> / <sub>8</sub>	38,209	5 <sup>1</sup> / <sub>2</sub>	5	70,873
August (through August 22)	8 <sup>3</sup> / <sub>8</sub>	7 <sup>1</sup> / <sub>4</sub>	42,832	5 <sup>1</sup> / <sub>4</sub>	5	51,320

#### NOTES:

- (1) The closing prices of Brinco Common Shares and Conuco Common Shares on The Toronto Stock Exchange on May 2, 1979, the last day preceding the announcement of the Merger, were \$7<sup>1</sup>/<sub>8</sub> and \$6<sup>1</sup>/<sub>4</sub> respectively.
- (2) Reference is made to the heading "Brinco — Ownership and Trading in Securities of Conuco and its Affiliates" on page 54.

### Rights of Dissident Conuco Shareholders

Section 156 of The Companies Act (Alberta) requires that, unless the Supreme Court of Alberta otherwise directs, Conuco, Caballero, 91639 and Exalta shall each notify, in such manner as the Court may direct, each of its shareholders who dissents from the Amalgamation, of the time and place at which the Merging Companies intend to apply for an order approving the Amalgamation. The Act also provides that, upon the application, the Court shall hear and determine the matter and may approve the Merger and Amalgamation Agreement as presented or subject to compliance with such terms and conditions as it thinks fit, having regard to the rights and interests of all parties including dissentient shareholders and creditors. Subject to the foregoing, dissentient shareholders will not have any right under Alberta law to have their shares appraised and to receive the appraised cash value thereof.

## **Rights of Dissident Shareholders of Brinco**

Under The Companies Act (Newfoundland) a shareholder of Brinco who votes against the approval of the execution and delivery of the Merger and Amalgamation Agreement or the creation of the Brinco Preferred Shares will not have any right to have his shares in Brinco appraised and to receive the cash value thereof.

## **Conditions, Amendments and Termination Provisions**

Pursuant to the Merger and Amalgamation Agreement, the obligations of the Merging Companies to cause the Amalgamation and the other transactions contemplated by the Merger and Amalgamation Agreement to be carried out are subject to certain conditions, including, among others, that:

- (a) on or before September 30, 1979, or such later date as may be mutually agreed upon by Conuco and Brinco, Brinco shall have obtained approval pursuant to the Foreign Investment Review Act (Canada) of the acquisition of control of Resources by Brinco pursuant to the terms of the Merger and Amalgamation Agreement, on terms and conditions reasonably satisfactory to Brinco and Conuco. Reference is made to the heading "Approval under the Foreign Investment Review Act" on page 15;
- (b) before the Amalgamation, Exalta shall have redeemed all the outstanding Exalta Preferred Shares with funds provided for that purpose by Brinco;
- (c) the representations and warranties of each Merging Company contained in the Merger and Amalgamation Agreement shall be true and correct in all material respects immediately prior to the Amalgamation;
- (d) all action required to be taken by or on the part of each Merging Company prior to the Amalgamation shall have been taken;
- (e) the Merger and Amalgamation Agreement and the transactions contemplated thereby (including in particular, in the case of Conuco, Caballero, 91639 and Exalta, the Amalgamation) shall have been adopted by the respective shareholders of Conuco, Caballero, 91639 and Exalta in accordance with the requirements of The Companies Act (Alberta) and any applicable directions of the Supreme Court of Alberta;
- (f) the Merger and Amalgamation Agreement and the transactions contemplated thereby (including in particular, the creation of the Brinco Preferred Shares) shall have received all necessary approvals of the holders of Brinco Common Shares;
- (g) an Order of the Supreme Court of Alberta approving the Merger and Amalgamation Agreement and, in particular, the Amalgamation, shall have been granted on terms and conditions reasonably satisfactory to Brinco and Conuco;
- (h) where required, the consent to the Amalgamation of all other parties to joint ventures, partnerships or participation or pooling arrangements shall have been obtained before the Amalgamation;
- (i) Brinco shall be satisfied with the title of each of Conuco, Caballero, 91639 and Exalta to its respective assets and each of Conuco, Caballero, 91639 and Exalta shall be satisfied with the title of Brinco to its assets; and
- (j) certain officers' certificates and legal opinions shall have been delivered.

At any time prior to the Amalgamation, the parties may (without further authorization by their respective shareholders) by written agreement, extend the time for the performance of any of the obligations of the Merging Companies, waive any inaccuracies or modify any representation contained in the Merger and Amalgamation Agreement or in any document delivered pursuant thereto or waive compliance with or modify any of the covenants contained in the Merger and Amalgama-



tion Agreement and waive or modify performance of any of the obligations of the Merging Companies therein contained.

The Merger and Amalgamation Agreement may be terminated by mutual agreement of the Merging Companies and the respective boards of directors of the Merging Companies may, before the Amalgamation and without further action on the part of their respective shareholders, authorize any such termination.

### **Amalgamated Company**

Upon the Amalgamation, Resources will be constituted as the continuing company of each of Conuco, Caballero, 91639 and Exalta with objects and articles of association virtually identical with those of Conuco.

**Authorized and Issued Capital.** The authorized capital of Resources will consist of 100,000 common shares without nominal or par value and 3,000,000 exchangeable redeemable preferred shares without nominal or par value (the "Resources Special Shares"). The issued capital of Resources upon the Amalgamation will be one common share and 2,162,459 Resources Special Shares (subject to increase to a maximum of 2,247,594 as a result of the issue of additional Conuco Common Shares prior to the Amalgamation pursuant to existing options granted to employees of Conuco.)

**Description of Resources Special Shares.** In addition to the Exchange Privilege and Redemption Obligation the other material preferences, rights, conditions, restrictions, limitations and prohibitions to be attached to the Resources Special Shares are as summarized below:

- (i) **Ranking:** The Resources Special Shares will rank equally with the common shares of Resources with respect to distribution of assets in the event of the liquidation, dissolution or winding up of Resources or other distribution of assets among its shareholders for the purpose of winding up its affairs, whether voluntary or involuntary. The holders of Resources Special Shares shall be entitled to receive a dividend of not less than \$1.00 during each calendar year, if, as and when declared by the directors, in priority to any dividends declared and payable on the common shares of Resources.
- (ii) **Restriction on Retirement of Common Shares:** So long as any Resources Special Shares are outstanding, Resources shall not, without the prior approval of the holders of Resources Special Shares, call for redemption or reduce or otherwise retire for value any common shares of Resources or any other shares of any class ranking on a parity with or junior to the Resources Special Shares.
- (iii) **Redemption:** Resources may, subject to The Companies Act (Alberta), redeem at any time all or from time to time any part of the outstanding Resources Special Shares held by Brinco or any affiliate of Brinco on payment of the amount paid up on the Resources Special Shares.
- (iv) **Voting Rights:** The holders of Resources Special Shares shall not be entitled to receive notice of, to attend or to vote at meetings of shareholders of Resources unless Resources fails to redeem on the Redemption Date any Remaining Resources Special Shares, whereupon such holders shall be entitled to one vote in respect of each Remaining Resources Special Share held.
- (v) **Modification and Consents:** The rights, conditions, restrictions, limitations and prohibitions referred to above may be deleted or modified only with the approval of the holders of common shares of Resources and of Resources Special Shares. Any such authorization, consent or approval to be given by the holders of Resources Special Shares and common shares of Resources will require the affirmative vote of not less than 75% of the votes cast by the holders of the Resources Special Shares and the common shares of Resources voting separately as a class at a meeting of the holders of Resources Special Shares and common shares of Resources called for that purpose.

**Directors and Officers.** The Merger and Amalgamation Agreement provides for a board of five directors of Resources. The names of the persons who will be the first directors of Resources, their respective occupations, present positions and places of residence are as follows:

<u>Name</u>	<u>Occupation and Present Position</u>	<u>Place of Residence</u>
Robert Baldwin Dale-Harris	Executive, Director and Chairman of the Board, Brinco	Uxbridge, Ontario
Thomas Nelson Dirks	Executive, Director and Vice-President, Operations, Conuco	Calgary, Alberta
James Robert Kassube	Executive, Director and Vice-President, Exploration, Conuco	Calgary, Alberta
Clifford Alan Smith	Executive, Director and President, Conuco	Calgary, Alberta
Hugh Robin Snyder	Executive, Director and President and Chief Executive Officer, Brinco	Toronto, Ontario

It is anticipated that the executive officers of Resources will be as follows:

<u>Name</u>	<u>Office</u>
Hugh Robin Snyder	Chairman of the Board and Chief Executive Officer
Clifford Alan Smith	President
Thomas Nelson Dirks	Vice-President, Operations
James Robert Kassube	Vice-President, Exploration

**Transfer Agent and Registrar.** It is intended that the Transfer Agent and Registrar for the Resources Special Shares will be Guaranty Trust Company of Canada at its principal office in the cities of Montreal, Toronto and Calgary. Guaranty Trust Company of Canada is the transfer agent for the Conuco Shares.

### **Approval under the Foreign Investment Review Act**

As Brinco is a 'non-eligible person' as defined in the Foreign Investment Review Act (Canada) ("FIRA") and consummation of the transactions contemplated by the Merger and Amalgamation Agreement will result, in effect, in the acquisition by Brinco of control of Conuco (a 'Canadian business enterprise' as defined in FIRA), prior approval under FIRA to such acquisition of control by Brinco is required as a condition to the Merger taking place. In granting such approval, the Governor-in-Council (the Federal Cabinet) must first determine that such acquisition is or is likely to be of significant benefit to Canada, having regard to all of the factors to be taken into account under FIRA for that purpose.

On May 16, 1979 Brinco applied to the Foreign Investment Review Agency for approval of the proposed acquisition of control resulting from the Merger. In connection with such application, Brinco intends to submit to the Minister of Industry, Trade and Commerce (the Minister responsible for administering FIRA) certain undertakings of Brinco to Her Majesty the Queen in Right of Canada, which will be conditional upon the approval of the application under FIRA and which will include among others, the following:

- (i) Brinco shall provide from its treasury during the five years following the Amalgamation, in reasonably equal annual amounts, a minimum of \$17,500,000 in the aggregate for explora-



tion for oil and natural gas properties in Canada and a minimum of \$7,500,000 in the aggregate for development of oil and natural gas properties in Canada;

- (ii) Brinco shall reinvest all available cash flow generated from its Canadian oil and natural gas operations in the exploration for and development of oil and natural gas properties in Canada during the period 1980 to 1983;
- (iii) Brinco shall provide from its treasury a minimum of \$6,000,000 during the period from January 1, 1980 to December 31, 1983 for exploration for hard minerals in Canada and shall use its best efforts to secure matching expenditures for such purposes from its participating partners, in proportion to their respective equity interests held;
- (iv) Brinco and its joint venture partners shall spend an aggregate of \$160 million on development of the Kitts and Michelin uranium deposits in Labrador during the period 1980 to 1982. Reference is made to the heading "Brinco — Kitts and Michelin Deposits" on page 42; and
- (v) Brinco shall spend an aggregate of \$5.8 million on evaluation of the asbestos deposit project of Abitibi Asbestos Mining Company Limited, a subsidiary of Brinco, during the period 1980 to 1983 provided that Brinco obtains additional equity participation in such prospect for fair value. Reference is made to the heading "Brinco — Asbestos — Abitibi Asbestos Mining Company Limited" on page 46.

The fulfilment of the undertakings referred to as items (iv) and (v) above are subject to the existence of favourable market and commercial conditions which would provide an acceptable equity return and which would enable such projects to proceed within the aforementioned time periods.

Reference is made to the headings "Conditions, Amendments and Termination Provisions" on page 13, "Brinco — Central Labrador Mineral Belt — Project Development" on page 43, "Brinco — Legislation and Controls" on page 48 and "Brinco — Undertaking Relating to Foreign Ownership" on page 53.

### **Exchange of Shares; Share Certificates and Fractional Interests**

#### **(a) *Upon the Amalgamation***

Upon the Amalgamation, the Conuco Shareholders will become holders of Resources Special Shares by operation of law without any further action on their part. Resources will not issue any share certificates representing Resources Special Shares. The share certificates held by the Conuco Shareholders and representing Conuco Shares, Caballero Common Shares or a 91639 Common Share, as the case may be, shall be deemed to represent for all purposes Resources Special Shares on the bases of conversion described under the heading "Merger Steps — Share Conversions" on page 7 and in the Table of Conversion which appears on page 9.

No fractional Resources Special Shares shall be issued. In lieu thereof, as soon as practicable following the Amalgamation, Resources shall pay to Conuco Shareholders who would otherwise have been entitled to receive a fraction of a Resources Special Share pursuant to the conversion basis referred to above an amount in cash equal to the value of such fraction based upon an assumed value of \$21.00 for each Resources Special Share.

#### **(b) *Pursuant to Exchange Privilege***

A Conuco Shareholder who wishes to exercise the Exchange Privilege in respect of his Resources Special Shares may do so by giving notice in writing to Guaranty Trust Company of Canada, at its principal office in one of the cities of Calgary, Toronto or Montreal, accompanied by such Resources Special Shares (which, as described above, will be represented by a Conuco, Caballero or 91639 share certificate) in respect of which the holder desires to exercise the Exchange Privilege.

Immediately after the Amalgamation, a form of letter of transmittal containing instructions with respect to the exercise of the Exchange Privilege will be furnished to each Conuco Shareholder.

Shareholders who exercise the Exchange Privilege in accordance with such instructions shall be entitled to receive from Guaranty Trust Company of Canada certificates representing the Brinco Shares for which the Resources Special Shares are exchanged. In the event a shareholder elects to exercise the Exchange Privilege in respect of only part of his Resource Special Shares, interim share certificates for the Resources Special Shares not so exchanged will be issued by Resources and will be obtainable from Guaranty Trust Company of Canada.

**(c) *Pursuant to Redemption Obligation***

Shareholders who do not elect to exercise the Exchange Privilege but rather wait to have their Resources Special Shares redeemed pursuant to the Redemption Obligation shall receive from Guaranty Trust Company of Canada, forthwith after redemption, certificates representing the same aggregate number of Brinco Common Shares, Brinco Preferred Shares Series A and Brinco Preferred Shares Series B to which each such holder would have been entitled had such holder exercised the Exchange Privilege. Notwithstanding any delay in the delivery to such holders of certificates representing such Brinco Shares, they shall be treated for all purposes as the holders of such Brinco Shares from and after the date of redemption.

Brinco has agreed to provide Guaranty Trust Company of Canada at its principal office in the cities of Calgary, Toronto and Montreal with share certificates sufficient to represent the Brinco Shares to be delivered in connection with the Exchange Privilege and the Redemption Obligation.

Reference is made to the heading "Amalgamated Company — Description of Resources Special Shares" on page 14.

**Over the Counter Market for Resources Special Shares**

Because no share certificates representing Resources Special Shares will be issued upon the Amalgamation (except in the case of partial exercises of the Exchange Privilege as described above) and since the Resources Special Shares will only be outstanding for the Interim Period, the Merging Companies do not intend to apply for the listing and posting for trading of the Resources Special Shares on any stock exchange. Conuco intends to apply for the delisting of the Conuco Common Shares from the Alberta, Toronto and Montreal Stock Exchanges effective upon the Amalgamation. In order to accommodate any trading of Resources Special Shares which may occur during the Interim Period, Conuco will engage McLeod Young Weir Limited to establish and maintain an "over the counter market" for the trading of Resources Special Shares during the Interim Period.

**Income Tax Consequences**

***Canada***

The following comments are confined to the Income Tax Act (Canada) (the "Act") and to Conuco Shareholders for whom the Conuco Shares, Caballero Common Shares or 91639 Common Share, as the case may be, represent capital property under the Act. Generally speaking, the Conuco Shares, Caballero Common Shares and 91639 Common Share will represent capital property to a Conuco Shareholder unless a disposition of the shares would give rise to income from the carrying on of a business of trading and dealing in shares or from an adventure in the nature of trade.

The following comments are intended as a brief summary of the Canadian federal income tax consequences and Conuco Shareholders should consult their own tax advisors having regard to their particular circumstances. In particular, Conuco Shareholders who may be liable to tax under the provisions of Quebec income tax legislation or foreign tax legislation and Conuco Shareholders for whom the Conuco Shares, Caballero Common Shares or 91639 Common Share are not capital property should obtain further tax advice.



McCarthy & McCarthy, Toronto, Ontario, counsel for Brinco and Davies, Ward & Beck, Toronto, Ontario, special counsel for Conuco are of the opinion that the following summary is a fair and adequate explanation of the relevant income tax consequences pursuant to the Act of the proposed transactions. An advance income tax ruling has been received from Revenue Canada, Taxation concerning certain of the income tax consequences of the proposed transactions pursuant to the Act and, where applicable, the comments which follow are based upon this ruling.

#### *General*

Generally, where a Conuco Shareholder acquires Brinco Shares following the Amalgamation pursuant to his exercise of the Exchange Privilege he will not be required to account for tax on any gain until he disposes of or is deemed to have disposed of Brinco Shares other than by way of conversion of Brinco Preferred Shares into Brinco Common Shares. His adjusted cost base of Conuco Shares will flow through to his Brinco Shares.

Where a Conuco Shareholder does not exercise the Exchange Privilege, deemed taxable dividends and capital gains or losses may arise upon his acquisition of Brinco Shares pursuant to the Redemption Obligation.

Where Brinco Preferred Shares are redeemed for cash, deemed taxable dividends and/or capital gains or losses may have to be taken into account in the taxation year in which the redemption occurs.

A more complete explanation of the Canadian income tax consequences follows.

#### *The Amalgamation*

A Conuco Shareholder will realize neither a capital gain nor a capital loss as a result of the Amalgamation.

The cost of the Resources Special Shares received by a Conuco Shareholder on the Amalgamation will be the adjusted cost base (as defined in the Act) of his Conuco Shares, Caballero Shares or 91639 Common Share, as the case may be, immediately before the Amalgamation.

Transitional rules which would permit certain Conuco Shareholders to use the "tax-free zone" method in determining the adjusted cost base to them of their Conuco Shares, Caballero Shares or 91639 Common Share, as the case may be, will continue to be available to such shareholders in determining the adjusted cost base to them of the Resources Special Shares received by them on the Amalgamation.

#### *Exchange Privilege*

A Conuco Shareholder who exercises the Exchange Privilege may choose to regard the exchange of Resources Special Shares for Brinco Shares as either a taxable or non-taxable transaction.

The exercise of the Exchange Privilege will be regarded as a non-taxable transaction for each Conuco Shareholder who does not include in his return of income for his taxation year in which the share exchange takes place any portion of any capital gain or loss arising on the disposition of his Resources Special Shares for Brinco Shares pursuant to the Exchange Privilege.

His cost of the Brinco Preferred Shares Series A, the Brinco Preferred Shares Series B and the Brinco Common Shares received pursuant to the exercise of the Exchange Privilege will be the proportion of his adjusted cost base of his Conuco Shares, Caballero Common Shares or 91639 Common Share, as the case may be, which the respective fair market values, at the date of the exercise of the Exchange Privilege, of his Brinco Preferred Shares Series A, Brinco Preferred Shares Series B and Brinco Common Shares so acquired are of the fair market value, at the date of such exercise, of all the Brinco Shares so acquired. Where the transitional rules would permit such a Conuco Shareholder to use the "tax-free zone" method in determining the adjusted cost base to him of his

Conuco Shares, Caballero Common Shares or 91639 Common Share, as the case may be, the transitional rules will continue to be available to such a shareholder in determining the adjusted cost base to him of such Brinco Preferred Shares Series A, Brinco Preferred Shares Series B and Brinco Common Shares.

The exercise of the Exchange Privilege will be regarded as a taxable transaction for each Conuco Shareholder who chooses to include in his return of income for his taxation year in which the exchange takes place any portion of any capital gain or loss arising on the disposition of his Resources Special Shares for Brinco Shares pursuant to the Exchange Privilege. His proceeds of disposition for his Resources Special Shares will be the fair market value of the Brinco Shares at the date of exercise of the Exchange Privilege and the cost to him of the Brinco Shares so acquired will be such fair market value.

#### *Redemption of Resources Special Shares*

A Conuco Shareholder who does not exercise the Exchange Privilege and accordingly receives Brinco Shares pursuant to the Redemption Obligation will be deemed to have received a taxable dividend equal to the amount by which the fair market value of the Brinco Shares acquired by him on the redemption of his Resources Special Shares exceeds the aggregate paid-up capital for purposes of the Act of the Resources Special Shares into which his Conuco Shares, Caballero Common Shares or 91639 Common Share, as the case may be, were exchanged on the Amalgamation. Immediately following the Amalgamation, Conuco Shareholders will be advised in writing of the amount of the paid-up capital of the Resources Special Shares.

In addition, a Conuco Shareholder may realize a capital gain or a capital loss as a result of the redemption of his Resources Special Shares. Where the paid-up capital for purposes of the Act of the Resources Special Shares into which his Conuco Shares, Caballero Common Shares or 91639 Common Share, as the case may be, are exchanged on the Amalgamation exceeds the adjusted cost base to him of such Resources Special Shares, he will realize a capital gain equal to such excess at the time of redemption. Where the adjusted cost base to him of his Resources Special Shares exceeds the paid-up capital for purposes of the Act of such Resources Special Shares, he will realize a capital loss equal to such excess.

Where a Conuco Shareholder is a corporation, any capital loss, computed on the above basis, realized by it on the redemption of its Resources Special Shares may, in certain circumstances, be reduced for purposes of the Act by dividends received by it on its Conuco Shares, Caballero Common Shares or 91639 Common Share, as the case may be, or deemed to have been received by it upon the redemption of its Resources Special Shares.

The cost of Brinco Shares received by a Conuco Shareholder pursuant to the Redemption Obligation will be the respective fair market values of the Brinco Shares on the Redemption Date.

#### *Conversion of Brinco Preferred Shares into Brinco Common Shares*

A shareholder will realize neither a capital gain nor a capital loss as a result of the conversion by him of his Brinco Preferred Shares Series A or Brinco Preferred Shares Series B into Brinco Common Shares.

Where a former Conuco Shareholder converts his Brinco Preferred Shares Series A or Brinco Preferred Shares Series B into Brinco Common Shares, the adjusted cost base to him of the Brinco Common Shares so acquired will be the adjusted cost base to him of his Brinco Preferred Shares Series A or Brinco Preferred Shares Series B so converted.

#### *Redemption of Brinco Preferred Shares for Cash*

Any amount received by a former Conuco Shareholder on the redemption for cash of his Brinco Preferred Shares Series A or Brinco Preferred Shares Series B in excess of \$5.50 per share will constitute a taxable dividend to such former Conuco Shareholder.



In addition, the redemption for cash of Brinco Preferred Shares Series A or Brinco Preferred Shares Series B will constitute a disposition for purposes of the Act and may give rise to a capital gain or capital loss. Where the adjusted cost base to the former Conuco Shareholder of his shares to be redeemed is less than \$5.50 per share, he will realize a capital gain per share equal to the amount by which \$5.50 exceeds such adjusted cost base. Where the adjusted cost base to the former Conuco Shareholder of his shares to be redeemed is greater than \$5.50 per share, the former Conuco Shareholder will realize a capital loss per share equal to the amount by which the adjusted cost base exceeds \$5.50.

Where a former Conuco Shareholder is a corporation, any capital loss, computed on the above basis, may, in certain circumstances, be reduced for purposes of the Act by dividends received by it on its Conuco Shares, Caballero Common Shares or 91639 Common Share, as the case may be, or deemed to have been received by it upon the redemption of its Brinco Preferred Shares Series A or Brinco Preferred Shares Series B.

A copy of the advance tax ruling from Revenue Canada, Taxation referred to above may be examined during normal business hours by Conuco Shareholders and their tax advisors at the principal offices of Conuco, 400, 706-7th Avenue S.W., Calgary, Alberta and at the principal office of Conuco's transfer agent, Guaranty Trust Company of Canada, in the cities of Calgary, Toronto and Montreal.

### ***United States***

The following comments are confined to the United States Internal Revenue Code (the "Code") and to shareholders of Conuco who are United States taxpayers. They are intended as a brief summary of the U.S. federal income tax consequences of the proposed Merger and shareholders of Conuco who may be liable under the Code should consult their own tax advisors having regard to their particular circumstances.

In order to establish the United States federal income tax consequences of the Merger to those shareholders of Conuco who are United States taxpayers, Conuco will apply to the Internal Revenue Service for a ruling to the effect that the Merger will constitute a tax-free reorganization under Section 368 of the Code.

Cahill Gordon and Reindel, New York, United States counsel to Conuco in connection with the Merger, while unable to express an unqualified opinion, have advised as follows in respect of United States tax consequences to holders of Conuco Shares who are United States taxpayers:

### ***The Merger***

If the requested ruling is obtained, the exchange by a shareholder of his Conuco Shares for Resources Special Shares upon the Amalgamation, the subsequent exchange of Resources Special Shares into Brinco Shares pursuant to the Exchange Privilege or their redemption for Brinco Shares pursuant to the Redemption Obligation should be tax-free transactions. The aggregate basis of the Brinco Shares in the hands of the shareholder would be the same as the adjusted basis of the Conuco Shares previously held. Such basis will be allocated to the Brinco Shares in accordance with the relative fair market values of the three classes of Brinco Shares. However, the Internal Revenue Service might assert that the Brinco Preferred Shares Series A and the Brinco Preferred Shares Series B are to be characterized as "Section 306 stock". Ordinarily, a disposition of "Section 306 stock" will produce ordinary income, but under some circumstances it will produce capital gain income.

### ***Conversion of Brinco Preferred Shares into Brinco Common Shares***

A shareholder will realize neither a capital gain nor a capital loss as a result of the conversion by him of his Brinco Preferred Shares Series A or Brinco Preferred Shares Series B into Brinco Common Shares if he files notice of the conversion with his tax return for the year in which the

conversion takes place in the same manner as is indicated below under "General", within the time therein referred to.

#### *Redemption of Brinco Preferred Shares for Cash*

Redemption of Brinco Preferred Shares for cash will constitute a disposition of such shares for purposes of the Code. As is indicated under the heading "The Merger" on page 20, such a disposition may give rise to ordinary income or loss, rather than capital gain income or capital loss.

#### *General*

Because of the complexity of issues involved, it is not certain that the Internal Revenue Service will issue the requested ruling and the transactions contemplated by the Merger and Amalgamation Agreement may give rise to a taxable disposition of Conuco Shares in respect of which a gain or loss may be recognized. Shareholders concerned will be advised by the Merged Company in due course, as to whether or not the ruling has been issued.

Assuming that a favourable ruling is received, in order to have that ruling apply, each of the Conuco Shareholders who is a United States taxpayer must file with his District Director of Internal Revenue, on or before the last day for filing his federal income tax return (determined by taking into account any extensions of time therefor) for the year in which the reorganization is completed, the notice required by Temporary Regulation Section 7.367 (b) - 1(c). Any such United States shareholder of Conuco who fails to file the necessary notice may be denied the benefit of any favourable United States federal income tax ruling issued in connection with the proposed transaction. Shareholders may obtain a copy of the necessary notice to be filed with the Internal Revenue Service by sending a written request therefor to the Secretary, Brinco Limited, 20 King Street West, Toronto, Ontario, M5H 1C4.

#### **Rights of Conuco Shareholders as Shareholders of Brinco**

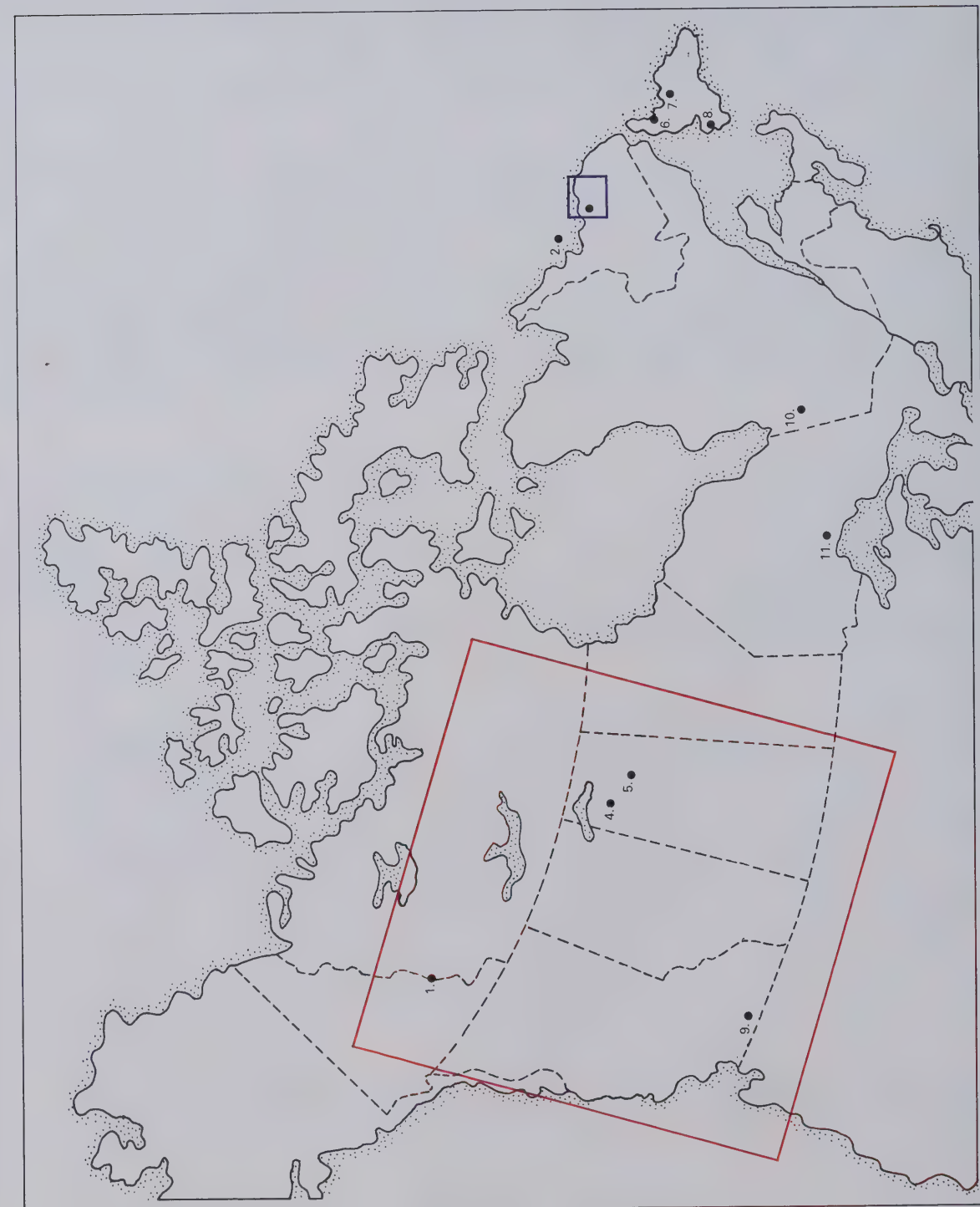
As stated above, the Merger will result, in effect, in the Conuco Shareholders (presently all shareholders of Alberta companies) becoming shareholders of Brinco, a Newfoundland company. The following are among the principal similarities and differences between the rights of the Conuco Shareholders as shareholders of Conuco and their rights as shareholders of Brinco:

- (i) *Shareholders meeting*: Under Alberta law the holders of 10% or more of the voting shares of a company may require the holding of a shareholders meeting. Brinco's Articles of Association have a similar provision.
- (ii) *Amending the Memorandum of Association*: The Memorandum of Association of both an Alberta company and a Newfoundland company may generally be amended only by 75% of the votes cast at a meeting of shareholders called for such purpose. In Alberta, confirmation by an order of the Supreme Court of Alberta is required in most instances. In Newfoundland, the Supreme Court of Newfoundland must confirm amendments to reduce capital or to alter objects of the company. In both provinces, any such amendment which affects the rights of the holders of any class of shares as a class must be confirmed by 75% of the votes cast at a meeting of the shareholders of such class. In Alberta, in some cases, a majority in numbers of the shareholders is also required.
- (iii) *Amending or repealing Articles of Association*: Under both Alberta and Newfoundland law, the Articles of Association of a company may generally be amended or repealed only by 75% of the votes cast at a meeting of shareholders called for such purpose.
- (iv) *Residency requirements for board of directors*: Under Alberta law, at least half of the board of directors must generally be "resident Albertans". In addition, at least half of the members present at every meeting of the board of directors must be "resident Albertans". There are no comparable requirements under Newfoundland law.

- (v) *Removal of directors*: Brinco's Articles of Association provide that a director may be removed by 75% of the votes cast at a shareholders' meeting. Under Conuco's Articles of Association a director may be removed by the same percentage of votes.
- (vi) *Removal of auditor*: Under Alberta law the removal of the auditor during his term of office requires a 75% shareholders' vote, whereas under Newfoundland law the auditor may be removed by a simple majority vote.
- (vii) *Appointment of inspector*: Under Alberta law the Supreme Court of Alberta may appoint an inspector to investigate the affairs of a corporation upon application by the holders of at least 10% of the outstanding shares, whereas under Newfoundland law an application to the Supreme Court of Newfoundland by holders of not less than 20% of the shares is required for the appointment of an inspector.

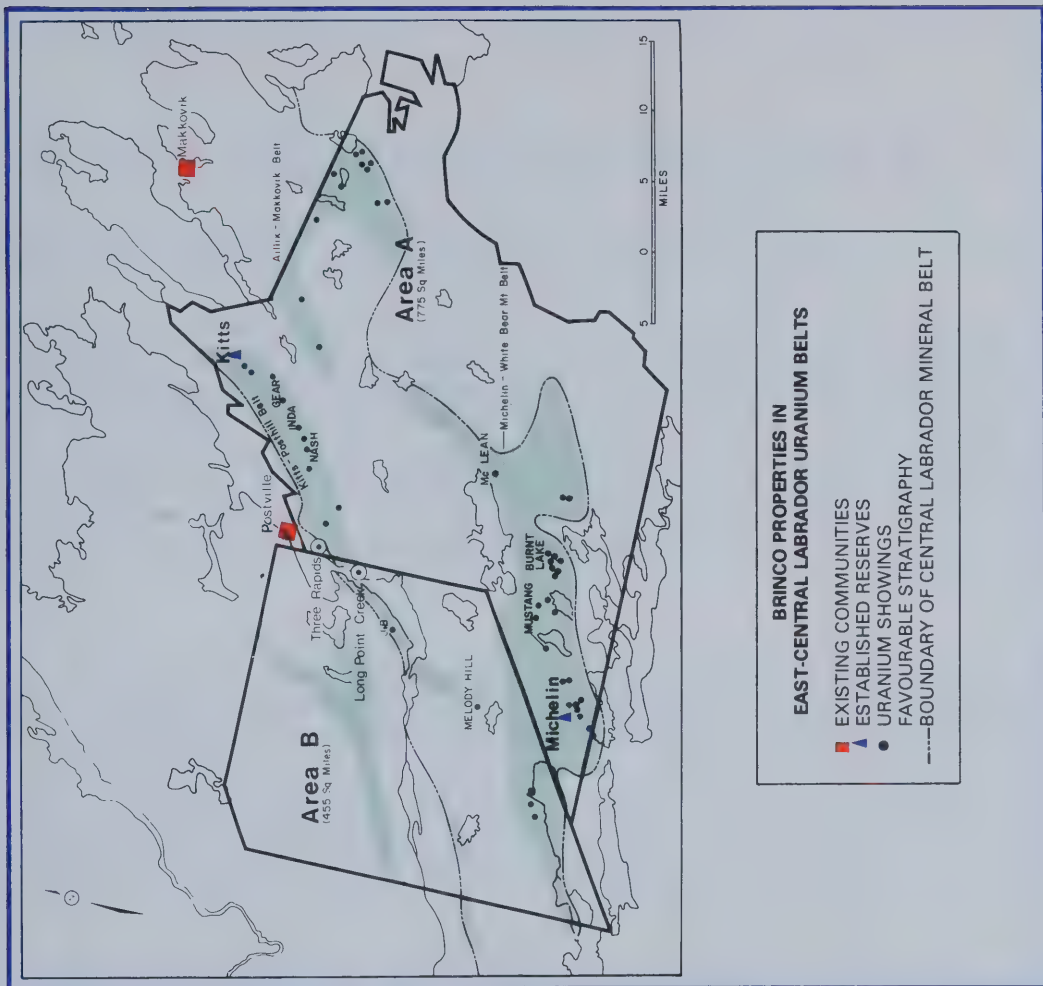
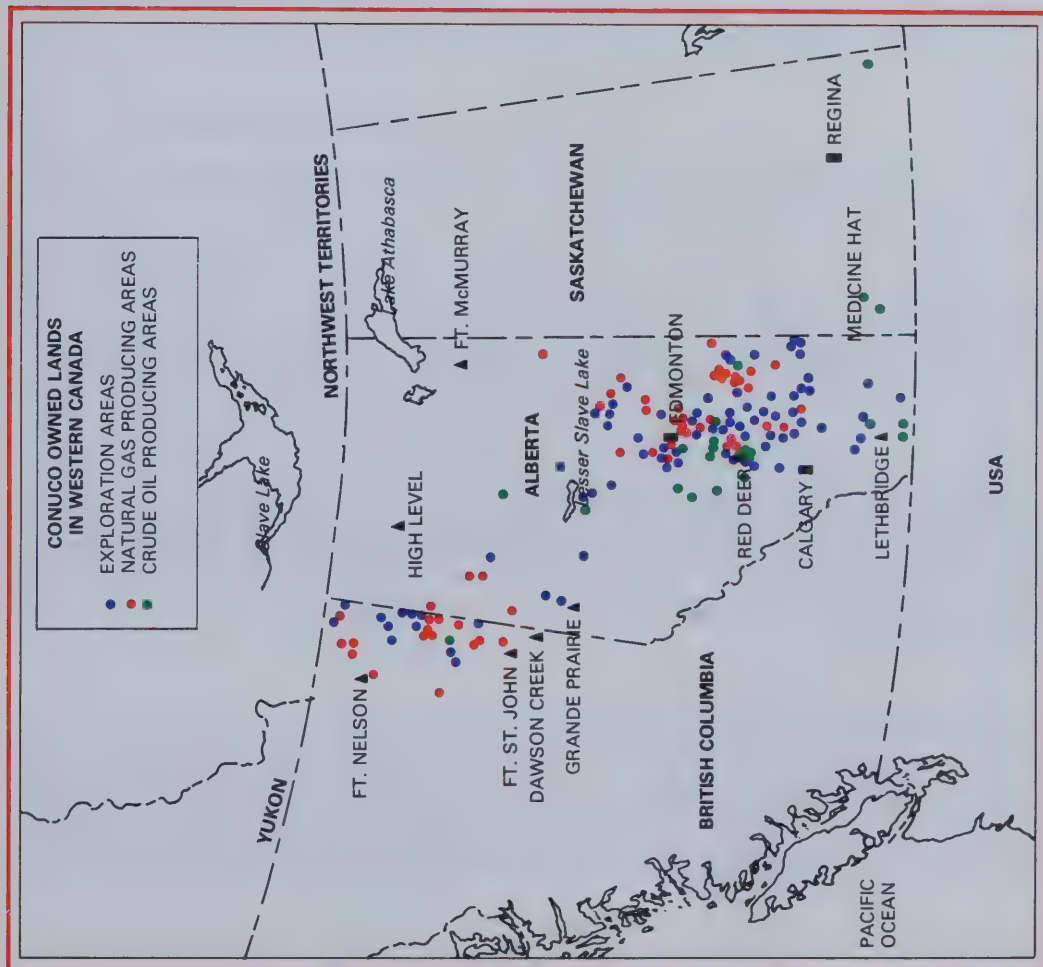


# LOCATION OF THE PRINCIPAL HOLDINGS IN CANADA OF THE MERGED COMPANY



Type of Mineralization or Exploration Project	Location
LEAD/ZINC	1. EASTERN YUKON
GAS	2. HOPEDALE
URANIUM	3. SEAL/MORAN LAKES
URANIUM	4. WILLIAM RIVER
URANIUM	5. RUSSELL & CREE LAKES
LEAD/ZINC SULPHIDES	6. HALLS BAY N.
SULPHIDES	7. DAWES POND
LEAD/ZINC CEMENT	8. WEST NEWFOUNDLAND
URANIUM	9. B.C. URANIUM
ASBESTOS	10. ABITIBI
SULPHIDES	11. MANITOUWADGE
OIL AND GAS	
URANIUM	





### **III. CONUCO AND AFFILIATED COMPANIES**

#### **General**

Conuco was incorporated under the laws of the Province of Ontario by letters patent dated April 20, 1943 under the name Pacific Oil & Refinery Limited. On November 17, 1969 its name became Conuco Limited and effective April 8, 1978 it was continued under the laws of the Province of Alberta. Until 1977, Conuco's business consisted principally of industrial activities with only a limited participation in natural resources. In that year, however, the management structure was reorganized and the focus of Conuco's business changed to oil and gas exploration and development. The Conuco Common Shares are listed on the Toronto, Montreal and Alberta stock exchanges. Conuco's head office and principal place of business is located at 400, 706-7th Ave. S.W., Calgary, Alberta.

Conuco has two subsidiary companies engaged in the oil and gas industry in Canada, namely Exalta Petroleum Ltd. ("Exalta") and Jasper Oils Ltd. A third Canadian subsidiary, Republic Resources Limited ("Republic"), is in the course of winding-up and all of its properties have been transferred to Conuco. In addition, Conuco has two subsidiaries engaged in the oil and gas industry in the United States, namely Conuco Oils of Texas Inc. and Dialta International Oil Inc. Each of these subsidiaries, other than Exalta, is wholly-owned by Conuco. Conuco owns all of the outstanding Exalta Common Shares. The only other class of Exalta shares outstanding, the Exalta Preferred Shares, are to be redeemed prior to the Amalgamation.

Unless the context otherwise indicates, reference to Conuco in this Part III includes Conuco and each of its subsidiaries.

#### **Holders of Securities**

##### ***Principal Holders***

The authorized capital of Conuco consists of 7,000,000 Conuco Common Shares and 1,000,000 Conuco Convertible Preferred Shares of which 5,611,027 Conuco Common Shares and 876,357 Conuco Convertible Preferred Shares were issued and outstanding as fully paid on August 22, 1979 and 148,000 Conuco Common Shares were reserved for issue pursuant to outstanding option agreements.

To the knowledge of the directors and senior officers of Conuco, the only person or company who owns of record, or is known by Conuco to own beneficially, directly or indirectly, more than 10% of any class of voting shares of Conuco is 91639 which beneficially owns directly 3,216,307 Conuco Common Shares representing approximately 57.3% of the outstanding Conuco Common Shares as of August 22, 1979.

One of the four outstanding 91639 Common Shares is beneficially owned indirectly, through Riback Investments, by Mr. M. Ted Riback, who is a director of Conuco. The remaining three 91639 Common Shares are owned by Caballero which in turn is owned indirectly in equal proportions by Messrs. C. Alan Smith, Thomas N. Dirks and James R. Kassube, all of whom are directors and officers of Conuco. The only outstanding 91639 Preferred Share is beneficially owned by Brinco.

## ***Directors, Officers and Others***

Except as set out below, none of the directors or senior officers of Conuco and none of their associates beneficially own, directly or indirectly, any Conuco Shares:

<u>Name of Director or Officer</u>	<u>Position with Conuco</u>	<u>Conuco Shares Beneficially Owned, Directly or Indirectly</u>
David J. Freeze	Director	50,100 Common Shares 223,640 Convertible Preferred Shares
James R. Kassube	Vice-President, Exploration and Director	2,400 Common Shares
George H. Plewes	Director	100,000 Common Shares
M. Ted Riback	Director	20,000 Common Shares
C. Alan Smith	President and Director	2,400 Common Shares

Emily R. Smith, the wife of C. Alan Smith, the President of Conuco, beneficially owns directly 975 Conuco Common Shares. Betty Riback, the wife of M. Ted Riback, a director of Conuco, beneficially owns directly 5,300 Conuco Common Shares.

For details of the interests of certain of the directors and officers in 91639, the principal shareholder of Conuco, reference is made to the immediately preceding heading "Principal Holders".

Partners and associates of Davies, Ward & Beck, special counsel to Conuco, beneficially own, directly or indirectly, an aggregate of 5,000 Conuco Common Shares.

## **Business and Properties of Conuco**

Conuco is engaged in the exploration for and development of reserves of crude oil, natural gas and related hydrocarbons in Canada and in the United States. Its operations in Canada are concentrated primarily in the Provinces of Alberta and British Columbia and its operations in the United States are located primarily in the State of Texas.

Through its technical staff located at its head office in Calgary, Conuco delineates geologically attractive oil and gas prospects. Exploratory geophysical operations and/or exploratory drilling operations are then conducted on the prospects by independent contractors under the direction of Conuco personnel utilizing financial resources of Conuco and of other companies who own joint venture participations in the prospects. Crude oil produced is sold at the wellhead to other companies or government agencies and Conuco does not engage in crude oil refining or processing beyond operations conducted at the wellhead. Natural gas produced is sold to other companies or government agencies under standard contractual conditions at the outlet valve of the production facilities.



## ***Drilling Activities***

Conuco did not commence actively drilling or participating in the drilling of any wells until its fiscal year ended March 31, 1977. To June 30, 1979 Conuco drilled or participated in drilling 194 wells as follows:

<u>Year ended March 31</u>	<u>Oil Wells</u>	<u>Gas Wells</u>	<u>Dry Holes</u>	<u>Total</u>
1977 .....	—	28	27	55
1978 .....	1	37	20	58
1979 .....	15	28	28	71
Three months ended				
June 30, 1979 .....	<u>5</u>	<u>4</u>	<u>1</u>	<u>10</u>
Total .....	<u>21</u>	<u>97</u>	<u>76</u>	<u>194</u>

Conuco's share of costs of land acquisition, exploration activities and development drilling, and equipment and production facilities, for the five years ended March 31, 1979 and the three months ended June 30, 1979 are as follows:

<u>Year Ended March 31</u>	<u>Land Acquisition</u>	<u>Exploration Activities &amp; Development Drilling</u>	<u>Equipment &amp; Production Facilities</u>	<u>Total</u>
1975 .....	\$ —	\$ 42,673	\$ 62,774	\$ 105,447
1976 .....	77,806	325,095	45,303	448,204
1977 .....	332,306	461,700	128,985	922,991
1978 .....	138,454	1,292,300	322,921	1,753,675
1979 .....	852,698	1,861,460	691,858	3,406,016
Three months ended				
June 30, 1979 .....	<u>44,116</u>	<u>363,058</u>	<u>13,050</u>	<u>420,224</u>
Total .....	<u>\$1,445,380</u>	<u>\$4,346,286</u>	<u>\$1,264,891</u>	<u>\$7,056,557</u>

## ***Undeveloped Acreage***

The following tables indicate Conuco's gross and net leasable acreage holdings by area as of June 30, 1979. The acreage set forth in the tables is undeveloped and includes all acreage held by Conuco as at such date which did not have a producing well or a well capable of production located on it.



Alberta

<u>Area</u>	<u>Gross Acreage (1)</u>	<u>Net Leasable Acreage (1) (2)</u>	<u>Expiry Date (3)</u>
Aerial .....	160	160	1985
Ardley .....	1,620	1,237	1982-85
Bashaw .....	800	800	1984
Battle .....	2,400	680	1980
Bellshill Lake .....	34,500	10,430	1980-82
Big Lake .....	480	480	1981
Bittern Lake .....	160	24	1981-85
Bruce .....	48,660	2,175	1980-88
Bellis (Ukalta) .....	480	53	1981
Bellshill Lake West .....	640	320	1981
Buffalo Lake East .....	13,280	4,213	1983
Camrose .....	320	320	1982
Cappon .....	18,080	— *	1983-86
Caroline .....	320	320	1980-85
Carson Creek .....	320	320	1984
Castor .....	640	— *	1981
Cessford .....	640	640	1982-84
Chain Lakes .....	9,600	1,600	1982
Charron .....	6,400	484	1980-86
Chauvin .....	640	416	1983
Chigwell-Tees .....	12,800	4,066	1980-86
Connorsville .....	2,080	— *	1984
Coutts .....	160	80	1981
Cowpar .....	2,560	1,280	1979
Craigend .....	300	60	1982-87
Craigmyle .....	960	— *	1982
Crossfield .....	320	320	1983
Dapp .....	6,240	2,475	1984-85
Donalda .....	640	80	1979-82
Drumheller .....	160	56	1981-83
Elnora .....	800	400	1980-81
Entrance .....	920	— *	1979
Fairydell .....	1,920	440	1982
Farrell Lake .....	640	— *	1983
Ferrier .....	480	— *	1980
Foremost .....	6,400	720	1983
Forestburg .....	4,160	4,160	1979-86
Fort Saskatchewan .....	960	— *	1982-83
Goose River .....	640	317	1982
Hamilton Lake .....	20,480	6,273	1985
Hughenden .....	640	384	1979-83
Hutton .....	3,360	366	1983-84
Hotchkiss West .....	16,320	1,440	1981-87
Iron Springs .....	3,200	— *	1981
Joffre .....	4,640	3,420	1981-84
Judy Creek .....	1,120	196	1980-86
Lacombe .....	4,720	— *	1981

\* Gross Acreage in which Conuco has an overriding royalty interest only.

*Alberta (continued)*

Area	Gross Acreage (1)	Net Leasable Acreage (1) (2)	Expiry Date (3)
LaGlace .....	11,840	4,053	1981
Leahurst .....	640	320	1981
Leduc .....	160	80	1984
Little Bow .....	320	320	1982
Manning .....	1,920	1,920	1981-82
Manning-Buchanan Creek .....	8,640	535	1989
Meekwap .....	6,880	2,045	1980-83
Mintlaw .....	1,440	1,040	1981
Mistahae .....	17,920	448	1984
Morinville .....	160	24	1985
Nevis .....	960	— *	1984
North Atlee .....	7,680	— *	1985
North Star .....	3,840	265	1986
Notikewan .....	5,760	720	1981
Peavy .....	480	160	1979
Peers .....	1,280	— *	1979
Pembina (Lobstick) .....	1,440	960	1984
Penhold .....	7,120	1,616	1982-87
Provost .....	42,320	2,328	1980-84
Ranfurly (Plain) .....	4,000	1,000	1984
Rattlesnake .....	2,560	448	1981
Red Earth .....	1,280	320	1982-84
Retlaw .....	1,600	— *	1983
Richdale .....	640	640	1983
Rowley .....	1,280	480	1981-84
Sedalia .....	640	499	1983
Sibbald .....	1,120	— *	1980
Spirit Ridge .....	8,640	2,232	1984
Spotted Lake .....	640	— *	1982-84
Spruce Grove .....	35,720	5,318	1979-84
Stettler .....	160	160	1982-85
Stettler East .....	320	320	1982
Sullivan Lake .....	800	160	1981-86
Sunnynook .....	640	640	1982
Superba .....	1,920	1,920	1982
Swan Hills .....	12,800	562	1981
Taber .....	1,200	278	1984-86
Thorhild .....	480	72	1985
Travers .....	2,400	600	1982
Trochu .....	320	160	1981
Valleyview .....	640	— *	1983
Viking .....	9,280	2,320	1982
Warwick .....	3,040	1,825	1982-83
Wintering Hills .....	160	54	1983
Wood River .....	320	3	1981
Worsley .....	3,520	176	1985-86
Total .....	<u>454,680</u>	<u>88,226</u>	

\* Gross Acreage in which Conuco has an overriding royalty interest only.

## British Columbia

Area	Gross Acreage (1)	Net Leasable Acreage (1) (2)	Expiry Date (3)
Beatton River .....	14,581	1,040	1986
Cabin .....	654	159	1981
Clark-Kakisa .....	26,636	6,319	1984
Courvoisier .....	19,749	1,646	1985
Dahl .....	16,318	1,282	1987, 1988
Ekwan .....	10,975	859	1988
Grassy-Sikanni .....	15,996	4,170	1984
Hostli .....	9,744	1,270	1983
Helmet .....	1,294	162	1987
Jean Marie .....	16,750	4,187	1984
Ladyfern .....	5,250	1,301	1980
Ladyfern West .....	20,820	5,205	1984
North Pine .....	1,280	80	1986
Peejay .....	175	175	1980
Rigel (Buick) .....	700	131	1984
Ring North .....	19,243	1,805	1985
Ring South .....	24,408	3,840	1984
Slave .....	42,334	7,055	1985, 1987
Total .....	<u>246,907</u>	<u>40,686</u>	

## Saskatchewan

Butte .....	320	— *	1980
Dollard .....	80	80	1983
Total .....	<u>400</u>	<u>80</u>	

## Arctic Islands

Axel Heiberg .....	43,482	858	1980
Banks Island .....	141,490	2,830	1980
Eglinton Island .....	32,047	640	1980
Melville Island .....	212,122	2,430	1980
Melville Island West .....	122,652	2,472	1980
Prince Patrick Island .....	156,293	1,562	1980
Total .....	<u>708,086</u>	<u>10,792</u>	

## East Coast Offshore

Labrador .....	<u>753,404</u>	<u>5,463</u>	1982
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## United States

### Montana

Coffee .....	<u>960</u>	<u>3</u>	1981
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### Texas

McAlden Grayson County .....	259	19	1980
Red Oak Leon County .....	<u>8,042</u>	<u>326</u>	1983
Total .....	<u>8,301</u>	<u>345</u>	

\* Gross Acreage in which Conuco has an overriding royalty interest only.

**NOTES:**

- (1) Gross acreage represents the acreage in which Conuco has varying interests. Net leasable acreage represents the aggregate of the interests of Conuco (other than a royalty interest) in the gross acreage. In the case of reservations, permits and licences these figures are after giving effect to future reversions to the government involved.
- (2) No figures for net leasable acreage have been provided where the only interest in the acreage owned by Conuco is a royalty interest. Generally royalty interests are payable on the gross production from a property prior to application of any production expenses.
- (3) The expiry date is the year in which, unless producible oil or gas is located, Conuco's title will expire. In the meantime Conuco's rental obligations are \$1 per net acre in Alberta, and \$2 per net acre in British Columbia. In addition, although it has no drilling or work commitments on this acreage, various drilling or other work must be undertaken (or a penalty paid instead) if Conuco wishes to maintain title until the expiry year. Rentals in the United States vary from \$1 to \$25 per net acre.

**Summary of Undeveloped Acreage**

	Gross Acreage	Net Leasable Acreage
Alberta .....	454,680	88,226
British Columbia .....	246,907	40,686
Saskatchewan .....	400	80
Arctic Islands .....	708,086	10,792
Eastcoast Offshore .....	753,404	5,463
United States .....	9,261	348
Total .....	<u>2,172,738</u>	<u>145,595</u>

**Productive Properties**

Conuco's oil and gas wells at June 30, 1979 are listed in the following tables. Wells listed as "capped" are wells which Conuco considers capable of production. In the tables, the term "gross wells" means the total number of wells in which Conuco has an interest. The term "net wells" means the sum of Conuco's working interests and royalty interests in the wells.

Area	Gross Wells	Net Wells	Status		Proximity (km) of Capped Gas Wells to Transmission Facilities
			Producing	Capped	
Alberta — Gas Wells					
Amisk .....	5	1.000	2	3	4
Beaverhill Lake .....	2	.103		2	5
Bellis .....	3	1.089	2	1	4
Bellshill Lake .....	1	.250		1	4
Border .....	1	.266		1	32
Bow Island .....	1	.025		1	15
Bruce .....	51	2.935	31	20	3
Buffalo Lake .....	1	.050		1	14
Chain .....	1	.091		1	9
Charron .....	5	.230	4	1	1
Chigwell .....	11	1.313		11	9
Craigend .....	2	.351	1	1	8
Drumheller .....	1	1.000	1		
Ferrier .....	1	.030	1		
Graham .....	1	.500	1		
Holburn .....	3	.455		3	5
Hotchkiss .....	4	.374		4	8



Area	Gross Wells	Net Wells	Status		Proximity (km) of Capped Gas Wells to Transmission Facilities
			Producing	Capped	
Joffre .....	2	.316		2	3
Judy Creek .....	1	.173	1		
Killam .....	4	.500		4	10
Lacombe .....	1	.030	1		
Leduc-Woodbend .....	1	.500	1		
Meadow .....	3	1.459	1	2	5
Morinville .....	1	.233		1	2
Nevis .....	1	.030		1	2
Notikewin .....	1	.182		1	13
Pembina .....	2	.875	1	1	1
Provost .....	27	2.277		27	15
Ranfurly .....	1	.250		1	3
Red Willow .....	1	.015		1	8
Royal (Warwick) .....	1	.852		1	8
Superba .....	1	.300		1	4
Sylvan Lake .....	1	.107		1	7
Taber .....	1	.169		1	4
Tees .....	3	.492	2	1	3
Tofield .....	2	.103		2	8
Ukalta .....	1	.110		1	4
Viking Kinsella .....	5	1.357	2	3	3
Wintering Hills .....	1	.205		1	11
Wood River .....	3	.090	3		
Worsley .....	1	.050	1		
Total .....	<u>160</u>	<u>20.737</u>	<u>56</u>	<u>104</u>	

*Alberta — Oil Wells*

Bashaw .....	1	.125	1		
Chauvin .....	2	1.150	1	1	
Chigwell .....	15	1.900	13	2	
Coutts .....	1	.500	1		
Ferrier .....	1	.030	1		
Holburn .....	1	.038	1		
Joffre .....	20	4.885	20		
Lacombe .....	1	.030		1	
Leahurst .....	1	.333		1	
Nevis .....	1	.030	1		
Provost .....	3	.174	1	2	
Red Earth .....	1	.250	1		
Retlaw .....	1	.250	1		
Swan Hills .....	1	.350	1		
Sylvan Lake .....	1	.107	1		
Taber .....	3	.994	2	1	
Tees .....	1	.494		1	
Willesden Green .....	1	.500	1		
Wintering Hills .....	2	.320	1	1	
Wood River .....	3	.090	3		
Total .....	<u>61</u>	<u>12.550</u>	<u>51</u>	<u>10</u>	

Area	Gross Wells	Net Wells	Status		Proximity (km) of Capped Gas Wells to Transmission Facilities
			Producing	Capped	
British Columbia — Gas Wells					
Buick Creek .....	2	.281	2		
Clark Lake .....	1	.050		1	3
Currant .....	1	.100		1	16
Dahl North .....	12	.772	12		
Kotcho Lake .....	1	.109	1		
Ladyfern .....	2	.257		2	30
North Pine .....	1	.031	1		
Rigel .....	3	.280	2	1	3
Ring .....	3	.534		3	30
Velma .....	1	.004		1	8
Total .....	<u>27</u>	<u>2.418</u>	<u>18</u>	<u>9</u>	
British Columbia — Oil Wells					
Beatton River West .....	1	.250	1		
Ladyfern .....	1	.250		1	
Velma .....	<u>1</u>	<u>.003</u>	<u>1</u>	<u>—</u>	
Total .....	<u>3</u>	<u>.503</u>	<u>2</u>	<u>1</u>	
Saskatchewan — Oil Wells					
Bench .....	1	.020	1		
Buffalo Head .....	1	1.000	1		
East Dollar .....	<u>1</u>	<u>1.000</u>	<u>1</u>		
Total .....	<u>3</u>	<u>2.020</u>	<u>3</u>		
East Texas — Oil Wells					
Philpick Texas .....	<u>7</u>	<u>.675</u>	<u>7</u>		
Total of All Areas:					
Oil: .....	74	15.748	63	11	
Gas: .....	<u>187</u>	<u>23.155</u>	<u>74</u>	<u>113</u>	
Total .....	<u>261</u>	<u>38.903</u>	<u>137</u>	<u>124</u>	

## ***Production History***

During the five fiscal years ended March 31, 1979 and the three months ended June 30, 1979, Conuco's production of crude oil, natural gas liquids and natural gas including Conuco's interest in the crude oil, natural gas liquids and natural gas of any other person or company was as follows:

### Aggregate of Working Interests and Royalty Interests

<u>Year Ended March 31</u>	<u>Crude Oil &amp; Natural Gas Liquids (bbl)</u>	<u>Natural Gas (mcf)</u>	<u>Revenue (\$)</u>
1975 .....	—	70,336	29,485
1976 .....	—	72,996	40,547
1977 .....	—	258,000	255,942
1978 .....	7,320	378,020	478,877
1979 .....	62,424	1,061,380	1,364,227
Three months ended June 30, 1979 .....	29,505	274,913	683,008
Total .....	<u>99,249</u>	<u>2,115,645</u>	<u>\$2,852,086</u>

## ***Significant Producing Properties***

Approximately 50% of Conuco's revenues during the fiscal year ended March 31, 1979 was derived from natural gas production. Approximately 25% of its revenues during such period was derived from crude oil production while the remaining 25% was derived from fees for operating oil and natural gas properties and from other sources. The production revenues are derived from 37 properties located in British Columbia, Alberta, Saskatchewan and Texas. Based on results compiled from production statistics for the first six months of 1979, Conuco estimates that the following properties will account for the following specified percentages of its total crude oil production during the fiscal year ending March 31, 1980: Joffre, Alta. — 48%; Buffalo Head, Sask. — 11%; Beaton River West, B.C. — 10%; Chigwell, Alta. — 9% and Philpick, Texas — 7%. Additionally, based on similarly compiled natural gas production statistics, Conuco estimates that natural gas production from the Kotcho Lake, Dahl North and Buick Creek properties in British Columbia will account for 27%, 12% and 10%, respectively, and from the Leduc-Woodbend and Pembina properties in Alberta will account for 16% and 11%, respectively, of Conuco's total natural gas production during the fiscal year ending March 31, 1980.

## ***Reserves***

During 1978 D&S Petroleum Consultants (1974) Ltd. ("D&S") prepared, at the request of management of Conuco and Exalta, separate valuations of the oil and gas properties of each of Conuco, Exalta and Republic, in each case as at August 1, 1978. These valuations, as they related to Exalta and Republic, were requested in connection with the proposed acquisition by Conuco and Exalta of all the outstanding common shares of Republic and the proposed acquisition by Conuco of all the outstanding common shares of Exalta. Those transactions were completed effective October 31, 1978 and December 31, 1978, respectively. As is indicated above, the properties formerly held by Republic have now been transferred to Conuco.

In order to provide shareholders with information as to its reserves and those of its subsidiaries as at a more recent date, Conuco requested D&S to evaluate as at May 31, 1979 the oil and gas properties of Conuco and its subsidiaries, including those previously owned by Republic. The following table summarizes the net reserves and estimated future net revenues of Conuco and its subsidiaries from such properties by way of their working interests and royalty interests, and is derived from a report by D&S dated August 16, 1979, but effective May 31, 1979:

	Net Reserves		Estimated Future Net Revenues			
	Crude Oil	Natural Gas	Undiscounted	Discounted at		
	mbbl	mmcf		12%	15%	20%
			000's	000's	000's	000's
Proved Developed . . . . .	1,452	9,794	\$ 47,580	\$18,561	\$16,106	\$13,240
Proved Undeveloped . . . .	695	14,661	45,547	15,848	13,030	9,867
Probable Additional . . . .	1,181	11,706	47,541	13,170	10,836	8,229
Total . . . . .	<u>3,328</u>	<u>36,161</u>	<u>\$140,668</u>	<u>\$47,579</u>	<u>\$39,972</u>	<u>\$31,336</u>

**Notes:**

1. The future net revenues are after deduction for operating costs, royalties and future development costs. Indirect costs, such as administrative overhead, management fees, other miscellaneous expenses and income taxes have not been considered. The discounted future net revenues, shown at rates of 12%, 15% and 20% per annum compounded annually to mid-year are not to be construed as fair market values.
2. The following reserve classifications have been used in these evaluations:

"Proved reserves" are defined to be those quantities of crude oil, natural gas, and natural gas liquids which, upon analysis of geologic and engineering data, appear with reasonable certainty to be recoverable in the future from known oil and gas reservoirs under existing economic and operating conditions. Proved reserves have been limited to those quantities of oil and gas which can be expected with little doubt, to be recoverable commercially at current prices and costs, under existing regulatory practices and with existing conventional equipment and operating methods.

"Proved developed reserves" are proved reserves which are expected to be recovered from existing wells, through existing completion intervals, with existing equipment and operating methods; and, those proved reserves behind the casing of existing wells, which are expected to be produced through these wells in the predictable future.

"Proved undeveloped reserves" are defined as proved reserves which are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required to place the production on-stream.

"Probable additional reserves" are defined as those situated in the vicinity of proved properties, but where the geologic and engineering control indicate some degree of risk or where modifications to the depletion method should result in increased recoverable reserves.

3. The table summarizes the results of individual cash flow forecasts prepared for each property. The forecasts were taken from reports prepared by D&S for Conuco, Republic and Exalta dated October 5, 1978 and January 31, 1979. The effective date of these reports was August 1, 1978. The forecasts were re-evaluated by D&S to reflect current well productivities and oil and gas prices. The operating costs used in the earlier reports were escalated 10% for the report as at May 31, 1979. In addition, non-producing, uncontracted gas properties were not assumed to come on production prior to November 1, 1982, reflecting the current gas surplus in Western Canada.

Additional properties were added to those covered by the earlier reports due to the subsequent drilling of new wells. These properties were evaluated individually by D&S and have been included in its report as at May 31, 1979.

Several new wells have been drilled in some of the previously evaluated properties. These new wells have been evaluated by D&S and the previous evaluations have been modified to reflect the new wells.

Conuco did not request D&S to estimate the fair market value of its current holdings of unproven acreage and accordingly no such estimate was included in its report.



The reserves and estimated future net revenues as determined by D&S differ significantly from those derived from a report on substantially the same properties, as at March 31, 1979, prepared by McDaniel Consultants (1965) Ltd. ("McDaniel"). This latter report was commissioned by Brinco during the course of negotiation of the proposed Merger terms and was issued on July 30, 1979. The following table summarizes the net reserves and estimated future net revenues to Conuco and its subsidiaries from such properties as derived from such report:

	Net Reserves		Estimated Future Net Revenues			
	Crude Oil	Natural Gas	Undiscounted	Discounted at		
	mstb	mmcf		12%	15%	20%
			000's	000's	000's	000's
Proven Remaining . . . . .	828	22,664	not reported	\$22,191	\$18,545	\$14,348
Probable Additional . . . . .	769	5,596	not reported	2,143	1,796	1,391
Total . . . . .	<u>1,597</u>	<u>28,260</u>	<u>\$63,286</u>	<u>\$24,334</u>	<u>\$20,341</u>	<u>\$15,739</u>

**Notes:**

1. The future net revenues are after deduction for operating costs, royalties and future development costs. Indirect costs, such as administrative overhead, management fees, other miscellaneous expenses and income taxes have not been considered. The discounted future net revenues, shown at rates of 12%, 15% and 20% per annum compounded annually to mid-year are not to be construed as fair market values.
2. The following reserve classifications have been used in these evaluations:  
 "Proven reserves" were considered to be those reserves which to a high degree of certainty are recoverable at commercial rates under present depletion methods and current operating conditions, prices and costs.  
 "Probable additional reserves" were considered to be those reserves commercially recoverable as a result of the more favourable performance of the existing recovery mechanism than that which could be deemed to be proven at this time. Probable additional natural gas reserves were also assigned to those areas which are believed to be potentially productive but which could not be realistically considered proven at the present time.
3. The table summarizes the results of individual cash flow forecasts prepared for each property. The complete report presents these cash flow forecasts.

Brinco also requested McDaniel to evaluate the unproven acreage of Conuco and its subsidiaries as at March 31, 1979. In its report McDaniel estimated the fair market value of such acreage as at that date to be approximately \$5,400,000.

## Industry Conditions

### Pricing

Conuco's Canadian oil production is located in British Columbia, Alberta and Saskatchewan. In the Provinces of British Columbia and Alberta, a variable royalty on oil production is reserved to the Crown. Income from oil produced from wells situate in Saskatchewan is subject to tax under The Oil Income Tax Act (Saskatchewan). The current Edmonton terminal crude oil price is \$13.25 per barrel. A price increase of \$1 per barrel is scheduled for January 1, 1980.

Conuco's natural gas production is located entirely in British Columbia and Alberta. Natural gas produced in British Columbia is purchased by British Columbia Petroleum Corporation at a price net of provincial taxes and royalties. Conuco's gas production in that Province consists entirely of "new" gas for which it receives \$1.03 per Mcf. In Alberta a variable royalty on gas production is reserved to the Crown. The average regulated field price for natural gas in Alberta is currently \$1.64 per million BTU.

Oil and gas production in the United States is subject to variable royalties. Gas production in the United States is sold either through the interstate system, at a price regulated by the Federal Energy Regulatory Commission, or to the various intrastate systems, at negotiated prices. Conuco's share of natural gas is currently sold into the interstate market at a price of \$1.89 (U.S.) per Mcf. The average price for "new" oil in the United States is \$28.50 (U.S.) per barrel.

## ***Production and Export***

Production and marketing of crude oil and natural gas in Canada are subject to regulation by both provincial and federal authorities. In Alberta, production of conventional crude oil is subject to prorationing among producing fields to meet projected levels of market demand. However, as a result of current high demand levels, all fields are presently entitled to produce at rates consistent with good engineering practice.

Crude oil, certain petroleum products and natural gas generally may not be exported from Canada except under the authority of a licence issued by the National Energy Board ("NEB"). Prior to issuing an export licence, the NEB must be satisfied that the quantity of product to be exported does not exceed the surplus remaining after due allowance has been made for the reasonably foreseeable requirements for use in Canada, having regard to trends in discovery. Generally speaking, the term of an export licence may not exceed 25 years. Exports of limited quantities of natural gas may also be authorized by order of the NEB.

In 1974, the NEB projected that a deficiency in the supply of Canadian crude oil to meet the Canadian demand for feedstocks was possible in the early 1980's and concluded that action was necessary to reduce crude oil exports. Accordingly, effective January 1, 1975, the NEB adopted a procedure of determining the level of oil exports on the basis of forecasts of surplus producibility and a formula designed to phase out exports gradually as surpluses disappeared. In its September 1978 report, Canadian Oil Supply and Requirements, the NEB stated that licensing of exports of light crude oil could be maintained at the 1978 level of 55,000 barrels per day for three years until the end of 1981, after which they would cease, and that licensed exports of heavy crude oil should continue to be restricted to those quantities remaining after meeting the feedstock requirements of Canadian refiners. The federal Government imposes an export charge on crude oil and certain oil products exported from Canada in an amount generally equal to the difference between the Canadian price and the average import price to the United States of oil imported from countries other than Canada.

In 1971, the NEB decided that Canada did not have a surplus of natural gas reserves after considering Canadian requirements and amounts already committed for export to the United States. Subsequently, because of changing circumstances in the natural gas industry, the NEB conducted an inquiry to determine whether Canada now has a surplus available for further exports and, in its February 1979 report, Canadian Natural Gas Supply and Requirements, the NEB indicated that about two trillion cubic feet of natural gas may now be available for new exports. Hearings on specific export applications began in July 1979 and applications have been made to the NEB for the export of over nine trillion cubic feet of natural gas over periods ranging up to 12 years. The hearings were concluded during the week of August 10, 1979, but no decisions have yet been announced by the NEB with respect to any of such applications.

A permit is also required from the Alberta Energy Resources Conservation Board with the approval of the Alberta Government for the removal from Alberta of natural gas produced in Alberta.

## ***Land Tenure***

Recent amendments to The Mines and Minerals Act (Alberta), which governs the basis of tenure of Alberta Crown petroleum and natural gas leases, have been designed to provide an incentive to maintain a high level of exploration activity within Alberta. First, leases of petroleum or natural gas properties issued after July 1, 1976 have been and will be for primary terms of five years rather than the customary 10 or 21 year terms granted prior to such date. Secondly, in respect of most Alberta Crown petroleum and natural gas leases, all zones below the deepest zone capable of production in paying quantities, revert to the Crown upon the expiration of the primary term of the lease or January 1, 1983, whichever date is later. Finally, the regulations to the Act require lessees under Alberta Crown petroleum and natural gas leases to commence drilling operations prior to the expiration of the primary term of the leases. Failure to comply with these drilling requirements may result in the cancellation of the leases.



Land tenure regulations in British Columbia and Saskatchewan generally correspond with those currently in effect in Alberta. Conuco's lands located in the United States are held through freehold petroleum and natural gas leases with terms varying from one to five years.

### **Interests of Management and Others in Material Contracts of Brinco and Conuco**

Except for their interests in the Merger and Amalgamation Agreement, neither Caballero nor 91639 and none of the directors and senior officers of Conuco and their other affiliates, has any interest in any material contract to which Brinco is a party. Caballero and 91639 are interested in the Merger and Amalgamation Agreement as parties to such agreement. The directors and senior officers of Conuco are interested in the Merger and Amalgamation by reason of their respective shareholdings in Conuco, Caballero, 91639 and Exalta, details of which are set forth under the headings "Merging Companies" on page 3 and "Conuco — Holders of Securities" on page 25. Certain of the directors and officers are also interested in the Merger and Amalgamation Agreement by reason of the arrangements referred to under "The Merged Company — Arrangements with Conuco Management" on page 64.

Effective October 31, 1978, Conuco acquired 50% of the outstanding shares of Republic for a cash consideration of \$2,572,910, and Exalta acquired the balance of the outstanding shares of Republic for a cash consideration of \$2,431,692 and 50,000 Conuco Common Shares valued at \$250,000. At that date, Exalta was the parent company of Conuco.

Effective as at December 31, 1978 Conuco acquired for a nominal consideration all of the issued and outstanding common shares of Exalta previously held indirectly by Messrs. C. A. Smith, T. N. Dirks, J. R. Kassube and M. T. Riback, all of whom are directors and senior officers of Conuco. In connection with the acquisition Conuco guaranteed the repayment of certain indebtedness of Exalta to Riback Investments in the amount of \$3,840,918 and to Mr. Riback personally in the amount of \$378,648. The value of the common shares of Exalta was determined by the directors of Conuco to be \$652,560 and accordingly, \$652,550 was credited to contributed surplus.

Except for the foregoing transactions and except for the transactions contemplated by the Merger and Amalgamation Agreement, neither Caballero nor 91639, nor any of the directors and senior officers of Conuco and their other associates and affiliates has had, or now has any material interest, direct or indirect, in any transaction since the commencement of Conuco's last completed financial year or in any proposed transaction which, in either case, has materially affected or will materially affect Conuco or any of its affiliates.

## IV. BRINCO

### **The Company**

Brinco was incorporated on April 17, 1953 under the laws of the Province of Newfoundland with the name British Newfoundland Corporation Limited. By certificate of change of name dated June 30, 1971, the name of the company was changed to Brinco Limited. Brinco's registered office is located at Suite 1101, Royal Trust Building, Water Street, St. John's, Newfoundland and its executive offices are at 20 King Street West, Toronto, Ontario. Brinco's authorized and issued share capital are described under the heading "Authorized and Issued Capital of Brinco" on page 56.

### **Business and Properties of Brinco**

#### ***Background***

Brinco is engaged, directly and indirectly, in the exploration for and development of natural resources relating primarily to three areas: namely (i) energy resources, including uranium, natural gas and oil, (ii) industrial minerals, principally asbestos and limestone, and (iii) base metals, principally zinc. These activities are carried out, either directly or through joint ventures, by Brinco, by its wholly-owned subsidiaries, namely British Newfoundland Exploration Limited ("Brinex") and Union Holdings Incorporated ("Union") or by associated companies, namely Abitibi Asbestos Mining Company Limited ("Abitibi") and Coseka Resources Limited ("Coseka") in which Brinco holds 60.1% and 25.3% equity interests, respectively.

Brinco was originally established with the primary objective of exploring, investigating and developing the natural resources of the Province of Newfoundland. In May 1953 the Government of Newfoundland and Brinco entered into an agreement which has been amended from time to time (such agreement, as amended, the "Principal Agreement") whereby Brinco was granted (i) exclusive rights until December 31, 1954 to explore for natural resources in uncommitted areas of the Island of Newfoundland and Labrador, (ii) an option until December 31, 1954 to take a 30 year exploration lease on 50,000 square miles in Labrador and 10,000 square miles in the Island of Newfoundland of the areas subject to the exclusive exploration rights with exclusive rights to prospect and explore such leased areas, (iii) the right during the subsistence of any exploration lease to acquire exclusive mining leases with a term of at least 99 years covering areas of reasonable size for the mining and treatment operations envisaged, and (iv) the right to acquire in fee simple surface lands necessary for surface works and facilities incidental to the development of mineral resources. Pursuant to the Principal Agreement a mineral exploration lease (the "Exploration Lease") covering 50,000 square miles in Labrador and 10,000 square miles in the Island of Newfoundland was issued from the Government of Newfoundland to Brinco in September 1955 and assigned to Brinex in November 1955. The Exploration Lease expires on September 26, 1985. The Principal Agreement requires Brinco to expend certain sums on exploration for natural resources in the areas covered by the Exploration Lease and to surrender every five years a stated number of square miles of such areas as selected by Brinco. Under the terms of the Principal Agreement, Brinco is obligated to pay to the Government of Newfoundland an annual rental equal to 8% of the consolidated net profits before income taxes (as defined) of Brinco resulting from the operations on the concessions.

The Principal Agreement included extensive water power rights throughout the Province of Newfoundland. In 1958 the rights, options and assets relating to the water power potential of the upper part of the Churchill River and watershed in Labrador acquired pursuant to the Principal Agreement were transferred by Brinco to its then wholly-owned subsidiary, Churchill Falls (Labrador) Corporation Limited ("CFLCo"). Until 1974, Brinco's principal activity was the construction and initial operation through CFLCo of the Churchill Falls hydro electric power plant and related facilities in partnership with Hydro Quebec and the Government of Newfoundland (to whom Brinco conveyed an aggregate 43% equity interest in CFLCo) — an undertaking involving total capital expenditures of approximately one billion dollars. In June 1974 Brinco sold to the Government of Newfoundland and one of its agencies its remaining 57% equity interest in CFLCo together with all



other rights and assets relating to water power in Labrador for \$160 million. At the time of such sale, construction of the CFLCo facilities was more than 95% complete and contracted deliveries of power had been made on schedule for over two years. The terms of the sale agreement required Brinco to use the net proceeds of such sale, in part, to pay a special dividend on its common shares and to make an offer to repurchase from its shareholders Brinco Common Shares then outstanding at a purchase price of \$7.07 per share. Pursuant to such obligations, Brinco paid a special dividend in 1974 of \$1.20 per common share and repurchased during that year 9,973,067 of its outstanding common shares.

In June 1957 the Government of Newfoundland and Brinex entered into an agreement, which has been amended from time to time (such agreement, as amended, the "Statutory Agreement") whereby Brinex was granted (i) exclusive rights until March 14, 1980 to explore for natural resources in certain areas of the Island of Newfoundland and Labrador not covered by the Principal Agreement, (ii) the unlimited right to stake mineral claims in such areas, (iii) the right to obtain five year special development licenses within the areas covered by the Statutory Agreement, (iv) the right to convert any special development license to a mining lease with a term of 50 years, and (v) the right to acquire, in fee simple, surface lands reasonably necessary for purposes incidental to mining and treatment of ores. The rights covered by the Statutory Agreement extend to all minerals other than oil and natural gas. The Statutory Agreement requires Brinex to explore for natural resources in the areas covered by the Statutory Agreement.

As at July 31, 1979 the exclusive rights held by Brinex under the Principal Agreement covered 2,504 square miles in Labrador and 1,505 square miles on the Island of Newfoundland and the exclusive rights held by Brinex under the Statutory Agreement covered 2,375 square miles in Labrador and 744 square miles on the Island of Newfoundland.

The British Newfoundland Exploration Ltd. (Petroleum and Natural Gas) Act, 1963, gave Brinex the right to enter into an agreement with the Province of Newfoundland pursuant to which Brinex would have exclusive rights to explore for petroleum and natural gas in an area of 9,626 square miles along the west coast of Newfoundland. Such an agreement with the Government of Newfoundland was entered into in 1971. In 1964 Brinex and Golden Eagle Oil and Gas Ltd., under a joint venture agreement, commenced exploration of the southwestern part of the Island of Newfoundland, which culminated in the drilling of two test wells at Port-au-Port Bay in 1965. In 1971 part of the joint venture area was explored by Union Oil Company Ltd. under a farm-out agreement, which led to the drilling of a further well in the Anguille Mountains in 1973. Further offshore geophysical surveys were carried out by Mobil Oil Canada Ltd. in 1974-75, and by Brinex in 1976-77. In the absence of encouraging exploration results, the petroleum and natural gas exploration rights under the agreement with the Government of Newfoundland were relinquished in October 1978.

During the period 1973 to 1977 Brinco acquired an aggregate of 2,565,649 common shares of Coseka Resources Limited ("Coseka"), representing 25.3% of its outstanding shares. Brinco has participated actively in the management of Coseka, a public company primarily engaged in the exploration for and development of oil and natural gas.

Brinco is in the process of implementing new corporate strategies involving a more active role in the oil and natural gas industry and the bringing into production of its uranium deposits in Labrador. The locations of Brinco's resource properties are shown on the maps on pages 23 and 24 and its principal current activities are described below.

## ***Uranium***

### ***(a) Central Labrador Mineral Belt***

Brinex's uranium exploration activities have been concentrated in the Central Labrador Mineral Belt which extends some 200 miles southwest from Makkovik on the Atlantic coast to beyond Seal Lake, encompassing an area of approximately 5,000 square miles. Pursuant to the Principal Agreement and the Statutory Agreement, Brinex holds exclusive prospecting rights over most of this Belt and the area has been the subject of exploration since 1954 when Brinex first discovered uranium mineralization in Labrador.

In 1966 Brinex entered into a joint venture agreement (the "Uranium Joint Venture Agreement") with Metallgesellschaft A.G. of Frankfurt, West Germany ("MG") to explore an area of 779 square miles in the Central Labrador Mineral Belt held by Brinex pursuant to the Exploration Lease. In 1969 an adjoining area of 457 square miles, held by Brinex under the Statutory Agreement, was made subject to the Uranium Joint Venture Agreement. In 1974 MG assigned its interest in the Uranium Joint Venture Agreement to Urangesellschaft Canada Limited ("UG"), an associated company. The aforementioned areas are respectively designated as Area 'A' and Area 'B' and are identified on the map appearing on page 24.

Under the Uranium Joint Venture Agreement, UG and Brinex are each to contribute 50% of exploration expenditures incurred in each yearly exploration programme. The Uranium Joint Venture Agreement provides in effect that, subject to the payment of their respective portions of such exploration expenditures, in the event that any mining leases are obtained for the purpose of developing any uranium ores or by-product minerals, the interests of Brinex and UG in all such mining leases and in any company formed for the purpose of working them would be 60% and 40%, respectively. If UG makes no contribution towards exploration expenditures in any year, all UG's rights under the Uranium Joint Venture Agreement are terminated. Where either party contributes a part but not all of its share of such exploration expenditures in any year, its interest in any such mining lease or company is diluted accordingly. All obligations of UG and Brinex to contribute to exploration expenditures have been met to date.

On December 27, 1978 UG granted to Brinex an option to acquire or to arrange the sale of its 40% interest ("UG Interest") in the Uranium Joint Venture Agreement. On July 31, 1979, Brinex exercised this option and on August 10, 1979 the UG Interest was transferred to SBC Financial Limited ("SBC Financial") as trustee, to be conveyed to Edison Development Canada Inc. ("Commonwealth Canada"), a wholly-owned Canadian subsidiary of Commonwealth Edison Company ("CE") of Chicago, Illinois, or failing it to Tinto Holdings Canada Limited ("Tinto Holdings"), a company in the RTZ Group, or failing it to Brinex, on or before December 31, 1979. The purchase price of the UG Interest was \$10.1 million plus interest at the prime rate charged by The Royal Bank of Canada on \$9 million of the purchase price from May 1, 1979 to August 10, 1979, the date of transfer. SBC Financial advanced the sum of \$10.1 million to UG and Brinex paid UG interest in the amount of \$300,000. Failing acquisition by Commonwealth Canada or Tinto Holdings of the UG Interest, Brinex is obligated to repay the \$10.1 million together with interest at the same rate.

Brinco and Brinex have entered into an agreement (the "Purchase Agreement") made as of August 16, 1979 with Commonwealth Canada providing for the acquisition by Commonwealth Canada of the UG Interest. The purchase price to be paid by Commonwealth Canada for such acquisition is \$10.1 million plus interest at the rate being charged by SBC Financial thereon (to a maximum of 12%) from the date of receipt of the approval referred to in clause (iii) below to the date of acquisition. In addition, at the time of acquisition of the UG Interest, Commonwealth Canada is to reimburse Brinex for one half of the amount of interest paid by Brinex to UG. Following completion of such acquisition, Commonwealth Canada will be a party to the Uranium Joint Venture Agreement and will be bound by its terms and conditions, including the payment of its share of exploration expenditures. The acquisition by Commonwealth Canada of the UG Interest under the Purchase Agreement is subject to receipt of various approvals including that of:

- (i) the Governor-in-Council under FIRA;
- (ii) the Illinois Commerce Commission; and
- (iii) the Minister of Energy, Mines and Resources of Canada. This ministerial approval is required, among other things, to assure that the proposed acquisition and ownership by Commonwealth Canada will comply with Canadian government policy concerning the ownership of uranium undertakings in Canada and control of enterprises in Canada engaged in the extraction or processing of uranium. Reference is made to the heading "Legislation and Controls — Uranium Mining Control" on page 48.



In July 1979, the Minister of Energy, Mines and Resources confirmed to Brinco that the transfer of the UG Interest to Commonwealth Canada, Tinto Holdings or Brinex does not conflict with the Canadian government policy principles outlined in Bill C-64. Reference is made to the heading "Legislation and Controls — Uranium Mining Control" on page 48.

If the approvals referred to above are not obtained and the various conditions set forth in the Purchase Agreement are not satisfied, Commonwealth Canada is not obliged or entitled to purchase the UG Interest. In that event, Tinto Holdings will purchase the UG Interest provided approvals applicable to it are received.

#### *Kitts and Michelin Deposits*

The uranium bearing rocks within Area 'A' and Area 'B' are dominantly bedded formations of Proterozoic age composed largely of volcanic debris and associated sediments. Deformation subsequent to their deposition has folded and tilted the originally flat-lying beds into near vertical attitudes. Many uranium showings are known within Area 'A' and Area 'B' and in ground to the east (Aillik area) and west (Moran Lake area). These latter two areas are the subject of exploration programmes by Brinex in joint ventures with other parties.

The most significant uranium discoveries in the Joint Venture Areas are known as the Kitts deposit and the Michelin deposit, both of which are located in Area 'A'.

The Kitts deposit was discovered in 1956 and surface diamond drilling to define reserves was carried out at various times between 1957 and 1978. Underground drilling and development took place in 1958 and 1975. A total of 40,700 feet of surface and underground drilling and 3,000 feet of underground lateral development have been used to establish ore reserves for this deposit.

The Michelin deposit was discovered in 1968 and surface diamond drilling was undertaken in 1969-70 and 1975-76. A programme of underground drilling and development was also carried out in 1975. A total of 93,800 feet of surface and underground drilling and 2,300 feet of underground lateral development have been used to establish ore reserves for this deposit.

In 1978, Derry, Michener & Booth, Consulting Geologists, were retained to review and interpret the exploration data relating to the Kitts and Michelin deposits and to provide estimates of geologically correlatable reserves. Their report was submitted in January 1979 and is summarized below.

	Indicated Reserves			Inferred Reserves		
	Short Tons	Average Grade % U <sub>3</sub> O <sub>8</sub>	Total U <sub>3</sub> O <sub>8</sub> in lbs.	Short Tons	Average Grade % U <sub>3</sub> O <sub>8</sub>	Total U <sub>3</sub> O <sub>8</sub> in lbs.
Kitts deposit	50,300	1.02	1,025,500	153,600	0.73	2,242,700
Michelin deposit	5,482,000	0.14	15,349,600	716,000	0.13	1,861,600

The total indicated and inferred reserves for the two deposits are 20,479,400 pounds of U<sub>3</sub>O<sub>8</sub>.

#### **Note:**

The following generally accepted reserve classifications have been used in these estimates:

"indicated reserves" means reserves for which tonnage and grade are computed partly from specific measurements, samples or production data, and partly from projection for a reasonable distance on geological evidence, and for which the sites available for inspection, measurement, and sampling are too widely or otherwise inappropriately spaced to outline the material completely or to establish its grade throughout.

"inferred reserves" means reserves for which quantitative estimates are based largely on broad knowledge of the geologic character of the deposit and for which there are few, if any, samples or measurements, and for which the estimates are based on an assumed continuity or repetition for which there are reasonable geological indications, which indications may include comparison with deposits of similar type, and bodies that are completely concealed may be included if there is specific evidence of their presence.

The main mineralized zones of the Michelin deposit have been drilled to a depth of 850 feet. Available geological evidence indicates that the mineralization is open to depth. The Kitts deposit does not appear to have significant additional reserve potential. There is potential for economic development of other known showings in Area 'A' and Area 'B' but on geological evidence currently available these could only be developed in the context of a central mining operation.

The Kitts and Michelin deposits are mineralogically simple, containing the uranium mineral known as pitchblende or uraninite together with iron oxides and sulphides. No metallurgical problems are anticipated. Neither the Kitts nor the Michelin deposit has any significant base or precious metal content.

### *Project Development*

In February 1979 Kilborn Limited, Engineering Consultants, were commissioned to evaluate the project and prepare a feasibility study. This study was completed in June 1979 and indicated that the project could sustain a development as conceived.

The feasibility study is based on the development of the Kitts and Michelin deposits over a 15 year mine life using both open pit and underground mining methods. Ore from both mines would be treated in a concentration plant located at the Michelin site. An all-weather road link would be established to Goose Bay, approximately 85 miles to the south.

Production would be at rates varying between 1,000,000 and 1,300,000 pounds of  $U_3O_8$  per year. Based on the feasibility study, Brinco estimates that capital costs prior to the start of production will approach \$160 million and that capital costs during production, including capital replacements, will be \$40 million. A large portion of the capital cost during production is the development cost for the underground mining of the Michelin deposit. The feasibility study indicates that the project is economically attractive.

In February 1979 work was also undertaken to prepare an environmental impact statement ("EIS"), a preliminary site evaluation report and a preliminary safety report. These reports are requirements of both the Federal Government and the Province of Newfoundland.

The EIS is required in order to obtain environmental approval for the project. The site and safety reports are required in order to obtain a development licence from the Atomic Energy Control Board, for the project. The EIS was submitted in early May 1979. Preliminary site and safety reports were submitted in June and July 1979, respectively. Public meetings on project development concepts have been held in four local communities including Happy Valley — Goose Bay, Labrador.

Current work plans call for the completion of a work programme that is required in order to confirm the feasibility study and provide additional information in support of the site and safety reports.

The feasibility study is based on a conceptual schedule which calls for preliminary road construction work to commence in 1979 with a mill start-up schedule for mid-1982. If approvals are not advanced sufficiently to commence road construction in 1979, mill start-up would likely be delayed beyond 1982.

### *Agreement in Principle with CE and Commonwealth Canada*

CE, Commonwealth Canada, Brinex and Brinco have also entered into an outline (the "Outline") dated as of August 16, 1979, setting out the principal terms to be embodied in the following three agreements to be negotiated:

- (i) an agreement (the "Project Agreement") among Commonwealth Canada, Brinex and Brinco relating to the evaluation, design, development, construction, financing, ownership and operation of a project (the "Labrador Project") to mine and produce natural uranium ore concentrates from the Kitts and Michelin deposits;
- (ii) an agreement (the "Sale Agreement") among Commonwealth Canada, Brinex, CE and Brinco relating to the sale to CE of  $U_3O_8$  to be produced from the Labrador Project; and



- (iii) an agreement (the "Management Agreement") between Commonwealth Canada and Brinex providing for the supervision and management by Brinex of the construction and operation of the Labrador Project.

The outline does not constitute a binding agreement among the parties.

CE and Commonwealth Canada have agreed with Brinex that they will have no rights or obligations under the Outline, Project Agreement or Sale Agreement unless and until the UG Canada Interest has been acquired by Commonwealth Canada. In addition, if Commonwealth Canada acquires the UG Interest, and by January 31, 1980 the Project Agreement and Sale Agreement have not been executed by the parties and certain approvals referred to below have not been obtained, Commonwealth Canada must sell and Brinex must purchase the UG Interest at a price (the "Reacquisition Price") equal to the sum of (i) \$10.1 million, and (ii) any amount expended by Commonwealth Canada on exploration expenditures under the Uranium Joint Venture Agreement, with interest on such amounts at the prime rate charged by The Royal Bank of Canada from the respective dates that Commonwealth Canada expended such amounts until the date of payment by Brinex to Commonwealth Canada.

Under the terms of the Outline, Brinex is to conduct an evaluation (the "Evaluation") of the Labrador Project. The Evaluation is currently being conducted by Brinex and is to include a comprehensive investigation, analysis and evaluation of all geological, construction, operational, environmental, financial and other considerations relating to the Labrador Project. It is to be based upon bringing the mines for the Labrador Project into production at rates sufficient to permit the production of not less than 1,000,000 pounds of  $U_3O_8$  per year during the life of the economically recoverable reserves. The Evaluation is to be completed and a written project report thereon is to be submitted to Commonwealth Canada and CE not later than December 31, 1979. Upon receipt of this project report, the parties to the Outline are to settle and agree upon the scope (the "Scope") of the Labrador Project. If the parties do not agree upon the Scope by January 31, 1980, Brinex has the option, but not the obligation, to acquire the UG Interest on or before February 29, 1980 at the Reacquisition Price.

If the project report discloses that the economics of the Labrador Project are less favourable to CE than those shown in an earlier feasibility study conducted by Brinex, having regard to the estimates of floor prices, capital costs (expressed in 1978 dollars) and ore reserves contained in such earlier study, then unless such economics can be restored by including reserves outside the area of the Labrador Project or by other acceptable changes, CE may at its option terminate the Sale Agreement and the Project Agreement. If CE exercises its option to terminate the Sale Agreement, Brinex will be entitled, at its option, to be exercised within three months of the date of such termination, to purchase the UG Interest from Commonwealth Canada at the Reacquisition Price.

The following is a summary of several more of the important provisions of the Outline:

*Construction* — Once the Scope of the Labrador Project has been agreed upon, it will be the responsibility of Brinex to construct the Labrador Project in accordance with the Scope.

*Ownership* — Brinex and Commonwealth Canada are to have undivided 60% and 40% interests respectively in the Labrador Project and in all mining leases acquired pursuant to the Uranium Joint Venture Agreement.

*Financing* — Except as otherwise agreed, Brinex and Commonwealth Canada are to participate on a 60/40 basis in all aspects of the Labrador Project including all indebtedness and obligations relating thereto. Commonwealth Canada has undertaken to seek financing for 90% of the capital cost of bringing the Labrador Project into production. From the proceeds of the loan, 40% will be contributed by Commonwealth Canada to its portion of the cost of the Labrador Project and the remaining 60% will be loaned by Commonwealth Canada to Brinex (at an interest rate not greater than Commonwealth Canada's cost of borrowing plus 1%) and contributed by Brinex to its portion



of such capital cost. The remaining 10% of the capital cost will be contributed by Commonwealth Canada and Brinex in proportion to their respective interests of 40% and 60%. The amount of the loan is subject to increase due to cost escalation caused by inflation. Brinex is obliged, however, to pay any cost overruns in the construction of the Labrador Project which result from changes from the Scope that are not otherwise agreed to by Commonwealth Canada.

The financing for the construction of the Labrador Project will be secured by a first mortgage against the interests of Brinex and Commonwealth Canada in the Labrador Project and a floating charge against the undertaking and remaining properties and assets comprising a part of the Labrador Project.

*Sale Agreement* — Under the Sale Agreement the entire production of  $U_3O_8$  from the Labrador Project, up to a maximum of 18 million pounds, is to be sold to and purchased by CE. CE has the option to limit the aggregate annual quantity of  $U_3O_8$  to be sold to it to one million pounds. The purchase price to be paid by CE in each year for each pound of  $U_3O_8$  produced in such year shall be greater of (i) the floor price and (ii) 95% of the market price for such year. The floor price includes loan interest and repayments, actual operating costs, a management fee to be paid to Brinex, an interest charge on equity contributions, and certain other allowances for exploration and close down costs.

*Management Agreement* — Under the Management Agreement Brinex will be entitled during the construction of the Labrador Project to a monthly management fee of \$12,500 and during operation to an annual management fee equal to 5% of the operating costs incurred in the year.

*Approvals* — The entering into by the various parties of the Project Agreement and the Sale Agreement is conditional upon the obtaining of various approvals, including approval of the Governor-in-Council under FIRA, the Department of Energy, Mines and Resources of Canada, the Atomic Energy Control Board under the Atomic Energy Control Act (Canada) and the Illinois Commerce Commission.

*Brinco Guarantee* — Brinco is to guarantee the performance of all the obligations of Brinex under the Project Agreement, the Sale Agreement and the Management Agreement.

### *Exploration*

Boulders with high grade uranium mineralization were discovered in 1978 at Mustang Lake in Area 'A' (where grades range from 1% to 6%  $U_3O_8$ ) and at Melody Hill in Area 'B' (where grades range from 2% to 18%  $U_3O_8$ ). Extensive follow-up geophysics, geochemistry and geological mapping were undertaken in 1978 on Melody Hill and a 9,000 foot drilling programme is currently under way. Detailed follow-up, including geophysics, geochemistry and geological mapping, is currently being undertaken in the Mustang Lake area. Prospecting in Area 'A' in 1978 indicated that the McLean Lake area might have more potential than previously realized, and grades of up to 0.5%  $U_3O_8$  were established in outcrop and talus. Follow-up in this area is planned for late 1979 or 1980.

In the Moran Lake area, to the southwest of Area 'B', where Brinex is in partnership with Canadian Nickel Company Limited, airborne radiometric and magnetometer surveys of selected areas conducted in 1977 and 1978 resulted in several new discoveries of radioactive outcrops and boulders. To the northeast of Area 'A', in the Aillik area, where Brinex participates in a joint venture with Placer Development Limited, airborne radiometric and V.L.F. surveys together with silt sampling, geological mapping and geophysics were carried out in 1978. Detailed ground follow-up of anomalous areas is currently under way.

### **(b) Saskatchewan**

Approximately 350 square miles are held under joint venture in three areas within the Athabasca basin of Saskatchewan. At Russell Lake, the most advanced prospect, analysis of geophysical data indicates that a favourable geological environment underlies the property and lake sediment

geochemical and radon anomalies are coincident with this. Detailed geophysical surveys are currently under way and a drilling programme will be undertaken in late 1979.

### **(c) Other Areas**

Brinex is a minority partner in a joint venture uranium exploration programme in the Okanagan area of southern British Columbia where a lake sediment testing programme is currently under way. Union is a joint venture partner in an uranium exploration programme in the southern United States where exploratory drilling is currently under way.

### **Industrial Minerals**

#### **(a) Asbestos — Abitibi Asbestos Mining Company Limited**

Brinco holds 3,921,332 common shares of Abitibi Asbestos Mining Company Limited ("Abitibi"), representing 60.1% of the issued and outstanding shares of Abitibi. Abitibi is a public company whose common shares are listed on the Toronto and Montreal stock exchanges.

Abitibi is the beneficial owner of 159 mining claims covering approximately 12,509 acres located in Maizerets and Soissons Townships in the District of Abitibi, approximately 52 miles north of the Town of Amos in Quebec. The properties are approximately 50 miles from the nearest railroad line and are reached by the Amos-Matagami highway. Diamond drilling on an area of 1,200 acres has identified substantial asbestos mineralization. This deposit lies 1.5 miles from the highway.

Prior to 1972, Abitibi carried out an intensive drilling programme, which had delineated an asbestos deposit, and a limited bulk sampling programme. Subsequent to 1972, Brinco rehabilitated the underground workings at the 200 foot level, extended the underground development and mined 26 bulk samples. A 30 ton per day pilot plant and quality control laboratory were constructed and operated at the mine site. R.T.Z. Consultants Limited, then a subsidiary of RTZ, was retained to assist Brinco in the development of a computerized model of the deposit based on data obtained from more than 80,000 feet of surface diamond drilling and the bulk sample programmes. Open pit mine planning studies were also carried out by R.T.Z. Consultants Limited to establish the optimum mining strategy and production plan capacities. A joint venture consulting organization of SNC Services Limited and Canadian Bechtel Limited was retained to provide capital and operating cost estimates.

Based on the foregoing studies, it was estimated in 1976 that capital expenditures of approximately \$300 million would be required to bring the deposit into commercial production. The concept for mining and recovering asbestos fibre included a production schedule which called for the processing of a minimum of 103 million tons of fibre-bearing rock at the rate of seven million tons per year, having an average gross value of approximately \$10 per ton, at list prices current in February 1976. Since February 1976, list prices have increased by approximately 35%. The capital costs required to bring the deposit into commercial production have not been re-estimated since 1976.

Since 1976, discussions have continued between Abitibi, the Province of Quebec and major asbestos producers concerning the possible development of the deposit. Brinco intends to re-examine the reserves, the mining plan and the overall economics of the project in 1980. Reference is made to the heading "Approval Under the Foreign Investment Review Act" on page 15.

#### **(b) Limestone**

The Brinex concession on the Port-au-Port peninsula of western Newfoundland contains a deposit of high quality limestone suitable for the manufacture of cement. Diamond drilling carried out in 1973 established possible reserves in excess of 300 million tons of limestone. In 1974 a feasibility study of a one million ton per year cement plant on the Port-au-Port property was



undertaken but it was decided not to pursue the project at that time. A study is currently in progress to evaluate the possible development of this deposit to supply agricultural and industrial limestone.

### ***Base Metals***

#### **(a) *Washington State Zinc***

Union has a 25.5% equity interest in a former zinc producing property in Stevens County, Washington. United States Borax and Chemical Corporation, a company in the RTZ Group, holds a 25.5% interest through a wholly-owned subsidiary and Callahan Mining Corporation holds the remaining 49% interest and is the operator under a joint venture agreement. The property lies about 35 miles from the Cominco smelter at Trail, British Columbia, and 130 miles from the Bunker Hill smelter at Kellogg, Idaho.

In 1974 the joint venture partners undertook a drilling programme to continue exploration which had been started by Callahan Mining Corporation in 1971. In 1977 they completed a feasibility study of underground mining based on recoverable reserves as at January 1, 1977, which were calculated to be 6.54 million tons of 0.57% lead and 3.55% zinc.

In light of current world zinc prices, the grade is considered insufficient to warrant resumption of mining and milling operations. However, in view of the existing and estimated minimal environmental problems, the property could be brought on stream quickly if and when zinc prices improve.

#### **(b) *Other Properties***

Brinex currently has interests in active exploration programmes for zinc and other base metals in the Yukon, central and western Newfoundland and Ontario, and for gold in southwestern Newfoundland.

The following is a summary of the 1978 results in the two most advanced programmes:

##### ***Ogilvie Joint Venture***

Brinex is the largest single partner (holding an approximate 48% interest) in the Ogilvie Joint Venture which is exploring for stratiform zinc-lead-silver deposits in the eastern Yukon. Mineralization has been encountered in two zones on the Jason property at Macmillan Pass. Further work including drilling is planned for late 1979. Subject to fulfilling certain expenditure commitments, Pan Ocean Oil Ltd. will have a right to earn an interest in the Jason claims. Brinex's interest could then be reduced to approximately 38% or 24%, depending on the amount of expenditures incurred by Pan Ocean Oil Ltd. over an agreed period of time.

##### ***Cape Ray Project***

Rio Tinto Canadian Exploration Limited, the exploration affiliate of Rio Algom Limited, a company in the RTZ Group, is the operator and majority partner in a joint venture exploring for gold in the Cape Ray region of southwestern Newfoundland. Brinex holds a 10% non-assessable undivided interest in this project. Drilling to date has outlined three small gold bearing bodies and further work is necessary to define the grades and size limits.

### ***Oil and Natural Gas***

Brinco's principal interest in oil and natural gas is represented by its holding of 2,565,649 common shares of Coseka Resources Limited ("Coseka"), representing 25.3% of Coseka's outstanding common shares. Coseka is a public company whose common shares are listed on the Toronto and Vancouver stock exchanges and is engaged, directly and through subsidiary and affiliated companies, in the exploration for and development of natural resources, primarily natural gas, oil and sulphur principally in western Canada and the United States.



In its unaudited statement of income for the nine month period ending April 30, 1979, Coseka announced that revenues before royalties were \$11,430,264, compared to \$9,246,672 for the same period in 1978. Net income for the period was \$2,266,837, compared to \$2,787,480 for the same period in 1978.

Since one result of the Merger will be that Brinco will have a more active and direct participation in the oil and gas industry, Brinco is considering the possible sale of its interest in Coseka.

## **Legislation and Controls**

### *Foreign Investment Review Act*

Under the Foreign Investment Review Act (Canada) ("FIRA"), the acquisition of control of Canadian business enterprises and the establishment of new businesses in Canada by non-eligible persons (as defined) are, with certain exceptions, subject to review and assessment by the Foreign Investment Review Agency and approval by the Governor-in-Council. The main criterion for approval is whether the acquisition or new business is or is likely to be of significant benefit to Canada. Brinco is a non-eligible person for the purpose of FIRA. The issue of the Brinco Shares to the Conuco Shareholders in connection with the Merger, will not, of itself, alter Brinco's current status under FIRA.

### *Uranium Mining Control*

On March 19 and May 5, 1970, the then Minister of Energy, Mines and Resources informed the House of Commons of the Federal Government's position with respect to ownership in the Canadian uranium industry. He stated that the Government proposed to limit by regulation the extent of ownership of uranium producing enterprises in Canada by non-residents of Canada, the definition of which, by reason of RTZ's beneficial shareholding, would include Brinco. The regulations would set a limit of 33% upon the aggregate foreign ownership of any uranium property of established productive capacity and a limit of 10% on the ownership of such a property which may be held by any one foreign investor or group of associated foreign investors. Subject to certain restrictions on sale to non-residents, foreign controlled companies actively engaged in exploration on a uranium property on March 2, 1970 would be permitted to retain their holdings as of that date if they proved to the satisfaction of the Atomic Energy Control Board of Canada by March 2, 1976 that they had a commercially viable uranium deposit on such property.

Prior to March 2, 1976 Brinex established to the satisfaction of the Canadian Atomic Energy Control Board that commercially viable deposits of uranium ore exist in areas subject to the Uranium Joint Venture Agreement.

On June 29, 1978 Bill C-64, entitled the "Uranium and Thorium Mining Review Act", (the "Bill") was introduced and received First Reading in the House of Commons. The purpose of the Bill was to formalize the previously announced policy of the Federal Government (as referred to above) of controlling the extraction of uranium and thorium in Canada by non-residents. Upon the dissolution of Parliament in October 1978, the Bill died on the Order Paper.

As described under the heading "Business and Properties of Brinco — Uranium — Kitts and Michelin Deposits" on page 42, the Kitts and Michelin deposits were discovered in 1956 and 1968, respectively. On October 7, 1970 the then Minister of Energy, Mines and Resources confirmed to Brinco that the acquisition by MG of its 40% equity interest under the Uranium Joint Venture Agreement would not contravene the policy of the Federal Government announced in the statements of the Minister referred to above. On April 28, 1975 the then Minister of Energy, Mines and Resources consented to the assignment by MG of its interest in the Uranium Joint Venture Agreement to UG. As noted above under the heading "Acquisition of UG Interest in Uranium Joint Venture Agreement", the Minister of Energy, Mines and Resources advised Brinco on July 16, 1979 that the transfer by UG of its interest in the Uranium Joint Venture Agreement to Commonwealth Canada, Tinto Holdings or Brinex does not conflict with the Canadian government policy principles outlined in the Bill.

On September 5, 1974, the Federal Government also announced a policy which, in general, would require Canadian uranium mining companies to reserve for Canadian utilities uranium resources economically recoverable at twice the current world market price in amounts sufficient to assure such utilities a 30 year supply of uranium to operate, at an annual capacity factor of 80%, nuclear reactors presently operating, under construction or planned for operation ten years into the future. Each mining company has or will have a reviewable reserve margin allocated to it based on the ratio of its uranium resources to the total Canadian recoverable resources from all such companies as estimated by a Federal Government appraisal group. Canadian utilities will be required to demonstrate that they are maintaining a contracted forward supply of nuclear fuel to enable them to operate at an annual capacity factor of 80% for at least 15 years. The policy further provides that export contract approvals are to be limited to a maximum of ten years from the date of the signing of the contract, with contingent approval possible for an additional five years. Such contingent approval will not be given unless provision is made for renegotiation of price for the uranium to be supplied during such additional period and will be subject to Canadian utilities having a right of recall through the Canadian Atomic Energy Control Board on a portion of the material subject to contingent approval. Under the policy, a domestic utility must give the Canadian Atomic Energy Control Board prior notice of at least five years that the right of recall will be exercised and must demonstrate that it is unable by other means to maintain its 15 year forward commitment. Any uranium so recalled could be supplied, on a short term basis, from the Federal Government stockpile. For producers with contracts calling for deliveries beyond ten years from the date of signing into the future, the Government may, on request, allow the ten year firm delivery period to move forward in time on an annual basis on the anniversary date of the contract signing. In the absence of specific exemption, uranium must be exported in the most advanced form possible in Canada (which at present involves conversion to  $UF_6$  in the case of uranium to be used in enriched form), and foreign purchasers will be required to agree not to re-export the uranium, except subject to certain conditions.

On December 20, 1974, the Federal Government announced a further policy requiring the governments of all countries to which uranium is to be exported to agree, as a condition of such export, to safeguards arrangements containing binding assurance that such uranium will not be used to produce a nuclear explosives device, whether the development of such a device be stated to be for peaceful purposes or not.

### *Security, Environmental and Health Matters*

Exploration for and mining and milling of  $U_3O_8$  are subject to control by the Atomic Energy Control Board established pursuant to the Atomic Energy Control Act. Regulations established under the Atomic Energy Control Act set out requirements for the physical security of radioactive substances and uranium mining and milling facilities. Applications for licences to extract radioactive substances must include a description of measures to be taken to ensure physical security of such facilities. Reference is made to the heading "Uranium — Central Labrador Mineral Belt — Project Development" on page 43 for a discussion of an environmental impact statement with respect to the Labrador Project.

### **Directors and Officers**

The full names, places of residence and positions held with Brinco and the principal occupations of its directors and officers are as follows:

<u>Name and Place of Residence</u>	<u>Position</u>	<u>Principal Occupation</u>
Edmond Jacques Courtois, Q.C., Montreal, Quebec	Director	Partner, Courtois, Clarkson, Parsons and Tetrault
Robert Baldwin Dale-Harris, Uxbridge, Ontario	Director and Chairman of the Board	Executive



<u>Name and Place of Residence</u>	<u>Position</u>	<u>Principal Occupation</u>
Lewis Wilson Foy, Bethlehem, Pennsylvania	Director	Chairman, Bethlehem Steel Corporation
Alistair Gilchrist Frame, London, England	Director	Deputy Chairman and Chief Executive, The Rio Tinto-Zinc Corporation Limited
Donald Ross Getty, Edmonton, Alberta	Director	President, D. Getty Investments Ltd.
Peter Hugh Grimley, Ph.D., Willowdale, Ontario	Vice-President	Vice-President, Exploration, Brinco Limited
John James Goodchild, C.A., Mississauga, Ontario	Comptroller	Comptroller, Brinco Limited
Ryuta Kawasaki, New York, New York	Director	Executive Vice-President Marubeni Corporation
Terence Heath Lewis, Oakville, Ontario	Treasurer and Manager, Corporate Development	Treasurer, Brinco Limited
Harry Winsor Macdonnell, Q.C., Toronto, Ontario	Director	Partner, McCarthy & McCarthy
Garth Alexander Clifton MacRae, Toronto, Ontario	Vice-President	Vice-President, Finance and Administration, Brinco Limited
James Calhoun O'Rourke, P.Eng., Mississauga, Ontario	Vice-President	Vice-President, Mining, Brinco Limited
Norbert Melville Peters, Oakville, Ontario	Vice-President, General Counsel and Secretary	Vice-President, General Counsel and Secretary, Brinco Limited
Harold Leslie Snyder, St. John's, Newfoundland	Director	Director, Centre for Cold Ocean Resources Engineering
Hugh Robin Snyder, Toronto, Ontario	Director and President and Chief Executive Officer	President and Chief Executive Officer, Brinco Limited
Sir Ronald Mark Cunliff Turner, London, England	Director	Chairman, The Rio Tinto-Zinc Corporation Limited

All of the directors and officers have held their present principal occupations for more than five years except as noted below:

From and prior to August 1974 and until March 1979 when he retired, Mr. Robert B. Dale-Harris was a senior partner of the Toronto Office, Central Region of Coopers & Lybrand.

From and prior to August 1974 and until January 1975, Mr. Alistair G. Frame was Managing Director of R.T.Z. Development Enterprises Limited, a company in the RTZ Group. He was appointed to the main board of RTZ in September 1973, became Deputy Chief Executive in January 1977, and was appointed to his present position in September 1978.

From and prior to August 1974 and until March 1975, Mr. Donald R. Getty was Minister of Federal and Inter-governmental Affairs and from April 1975 to March 23, 1979, Minister of Energy and Natural Resources in the Government of the Province of Alberta. From and prior to March 1974 and until March 1979, Mr. Getty was a Member of the Legislative Assembly of Alberta for the constituency of Edmonton Whitemud.

From and prior to August 1974 and until June 1975, Mr. John J. Goodchild was Site Controller of CFLCo. Mr. Goodchild was appointed to his present position in June 1975.

From and prior to August 1974 and until April 1975, Mr. Ryuta Kawasaki was Senior Mining Director of Marubeni Corporation. Mr. Kawasaki was appointed to his present position in April 1975.

From and prior to August 1974 and until April 1977 and from April 1978 to March 1979 Mr. Terence H. Lewis was Financial Manager and Manager, respectively, of R.T.Z. Oil and Gas Limited, a company in the RTZ Group and from April 1977 to April 1978 was Financial Evaluation Officer with Gas Gathering Pipelines (North Sea) Limited. Mr. Lewis was appointed to his present position in March 1979.

From and prior to August 1974 and until January 1975, Mr. Harry W. Macdonnell was Executive Vice-President of Brinco. From January 1975 to June 1975 he was President and Chief Executive Officer of Brinco. Mr. Macdonnell became a partner of McCarthy & McCarthy in September 1975.

From and prior to August 1974 and until April 1977, Mr. Garth A. C. MacRae was Treasurer of Hudson Bay Mining and Smelting Limited. From May 1977 until December 1978, he was Manager of the Finance and Administration Department of the same company. In January 1979 he became Vice President — Finance and Administration of that Department. In August 1979 he was appointed Vice President — Finance of Hudson Bay Mining and Smelting Limited. Mr. MacRae was appointed to his present position on August 20, 1979.

From and prior to August 1974 and until February 1976 Mr. James C. O'Rourke was Assistant Manager of Gibraltar Mines Ltd. (N.P.L.). From February 1976 to January 1979, he was General Manager of Equity Mining Corporation. Mr. O'Rourke was appointed to his present position in January 1979.

From and prior to August 1974 and until March 1975 Mr. Norbert M. Peters was General Counsel of Brinco. In March 1975 Mr. Peters was appointed Vice-President and General Counsel of Brinco and in March 1979 also became Secretary of Brinco.

From and prior to August 1974 and until December 1974, Mr. Harold L. Snyder was a Vice-President of Brinco. Mr. Snyder was appointed to his present position in December 1974.

From and prior to August 1974 and until November 1974, Mr. Hugh R. Snyder was Manager, Corporate Development of Brinco. From February 1975 to August 1978, he was President and Chief Executive officer of Western Mines Limited. Mr. Snyder became President and Chief Executive Officer of Brinco in October 1978.

From and prior to August 1974 and until December, 1975, Sir Mark Turner was Deputy Chairman of RTZ and was appointed to his present position in December 1975.

### **Remuneration of Directors and Senior Officers**

The aggregate direct remuneration paid or agreed to be paid by Brinco and its subsidiaries to directors and senior officers during the fiscal year ended December 31, 1978 was \$584,000 and during the seven month period ended July 31, 1979 was \$448,000.



The estimated aggregate cost to Brinco and its subsidiaries of all pension benefits to be paid in the event of retirement at normal retirement age, directly or indirectly, by Brinco to directors and senior officers of Brinco and its subsidiaries was \$9,400 in the fiscal year ended December 31, 1978.

### Options to Purchase Securities

Brinco's stock option plan provides for the granting to full-time officers and other employees of Brinco or its subsidiaries of options to purchase an aggregate of 200,000 Brinco Common Shares, at a price per share not less than 90% of the market price of the Brinco Common Shares if such market price is more than \$5.00 per share or 85% of the market price of the Brinco Common Shares if such market price is \$5.00 or less. For such purposes the market price in each case is the market price on the Montreal Stock Exchange on the business day before the date on which the option is granted. Under the plan, options are granted for a term of not more than five years during employment by Brinco or its subsidiaries. Reference is also made to the heading "The Merged Company — Stock Options" on page 64.

As at July 31, 1979 there were outstanding options to purchase in the aggregate 147,000 Brinco Common Shares and 162,900 Brinco Common Shares were reserved for issuance upon the exercise of options granted or which may be granted under such plan.

Details of options outstanding under the plan as at July 31, 1979 are as follows:

<u>Directors and Senior Officers of Brinco</u>	<u>All other Employees of Brinco</u>	<u>Date of Grant</u>	<u>Normal Expiry Date</u>	<u>Option Price Per Share</u>	<u>Market Price at Date of Grant</u>
10,000	—	September 2, 1976	September 2, 1981	\$4.00	\$4.00
—	15,000	September 2, 1976	September 2, 1981	\$4.00	\$4.00
50,000	—	August 31, 1978	August 31, 1983	\$7.00	\$7.25
30,000	—	January 22, 1979	January 22, 1984	\$6.30	\$7.00
15,000	27,000	February 26, 1979	February 26, 1984	\$7.00	\$7.87

The last sale price of Brinco Common Shares on The Toronto Stock Exchange on August 22, 1979 was \$7.625 per share.

### Principal Holders of Securities

The following table lists each shareholder who, to the best of the knowledge of the directors and officers of Brinco, now owns and will own after giving effect to the Merger beneficially, directly or indirectly, more than 10% of any class of the outstanding equity shares of Brinco:

<u>Name and Address</u>	<u>Class and No. of Shares Owned</u>	<u>Type of Ownership</u>	<u>Percentage of Class Prior to Merger</u>	<u>Percentage of Class After Giving Effect to Merger</u>
The Rio Tinto-Zinc Corporation Limited, London, England	12,116,031 Common Shares	Beneficial and of record <sup>(1)</sup>	82.5% <sup>(2)</sup>	72.0% <sup>(2)</sup>
M. Ted Riback, Calgary, Alberta	274,691 Common Shares 274,691 Preferred Shares Series A 274,691 Preferred Shares Series B	Beneficial <sup>(3)</sup>	—	1.6%
			—	12.7%
			—	12.7%

<u>Name and Address</u>	<u>Class and No. of Shares Owned</u>	<u>Type of Ownership</u>	<u>Percentage of Class Prior to Merger</u>	<u>Percentage of Class After Giving Effect to Merger</u>
C. Alan Smith, Calgary, Alberta	268,825 Common Shares	Beneficial <sup>(4)</sup>	—	1.6%
	268,825 Preferred Shares Series A }		—	12.4%
	268,825 Preferred Shares Series B }		—	12.4%
Thomas N. Dirks, Calgary, Alberta	268,025 Common Shares	Beneficial <sup>(5)</sup>	—	1.6%
	268,025 Preferred Shares Series A }		—	12.4%
	268,025 Preferred Shares Series B }		—	12.4%
James R. Kassube, Calgary, Alberta	268,825 Common Shares	Beneficial <sup>(6)</sup>	—	1.6%
	268,825 Preferred Shares Series A }		—	12.4%
	268,825 Preferred Shares Series B }		—	12.4%

**NOTES:**

- (1) Of these shares 12,113,831 are owned of record by Thornwood (80% of the outstanding shares of which is beneficially owned indirectly by RTZ and 20% of the outstanding shares of which is beneficially owned indirectly by Bethlehem Steel Corporation), 2,100 are owned of record by Tinto Holdings (all of the outstanding shares of which are beneficially owned indirectly by RTZ) and 100 shares are owned directly by RTZ.
- (2) As a result of its direct and indirect holdings, RTZ controls before giving effect to the Merger 12,116,031 or 82.5% of the outstanding Brinco Common Shares, while its net beneficial interest expressed as a percentage of all outstanding Brinco Common Shares is 66.0%. After giving effect to the Merger, RTZ will control 72.0% of the Brinco Common Shares and its net beneficial interest expressed as a percentage of all outstanding Brinco Common Shares will be 57.6%.
- (3) Of these shares 268,025 will be owned of record by Riback Investment Corporation Limited, all the outstanding shares of which are owned by Mr. M. Ted Riback.
- (4) Of these shares 268,025 will be owned of record by C. A. Smith Resources Ltd., all the outstanding shares of which are owned by Mr. C. Alan Smith.
- (5) To be owned of record by Sage Holdings Ltd., all the outstanding shares of which are owned by Mr. Thomas N. Dirks.
- (6) Of these shares 268,025 will be owned of record by Sperry Exploration Ltd., all the outstanding shares of which are owned by Mr. James R. Kassube.

As at July 31, 1979 the directors and senior officers of Brinco, as a group, beneficially owned, directly or indirectly, less than 1% of the outstanding Brinco Common Shares.

After giving effect to the Merger and the appointments of Messrs. C. Alan Smith and George H. Plewes to the board of directors of Brinco, the directors and senior officers of Brinco, as a group, will beneficially own directly and indirectly 3.4% of the outstanding Brinco Common Shares, 26.6% of the outstanding Brinco Preferred Shares Series A and 26.6% of the outstanding Brinco Preferred Shares Series B, in each case without giving effect to any conversions of Brinco Preferred Shares. Reference is made to the heading "The Merged Company — Directors and Officers" on page 64.

Partners and associates of McCarthy & McCarthy beneficially own, directly or indirectly, the following securities of Brinco and its affiliates: 400 common shares of Brinco, 200 \$5.80 Cumulative Redeemable First Preference Shares Series A, par value \$100, and 3,400 common shares without par value of Rio Algom Limited and 100 common shares without par value of Indal Limited.

### **Undertaking Relating to Foreign Ownership**

In connection with the application by Brinco to the Foreign Investment Review Agency for approval of the proposed acquisition resulting from the Merger and in connection with the approval by the Minister of Energy, Mines and Resources in respect of the transfer of the UG Interest, Thornwood intends to furnish to the Foreign Investment Review Agency an undertaking to the effect that it will take or cause to be taken all necessary and required steps within its power to increase the ultimate beneficial ownership of Brinco by resident Canadians to levels satisfactory to both Thornwood and the Foreign Investment Review Agency.

Thornwood contemplates that such increase could be effected over a reasonable period of time by various means, including the issue of additional shares of Brinco to the public, by way of private



placement, by way of a rights issue or in consideration for the purchase of assets and the sale by Thornwood of shares of Brinco to persons who are not "non-eligible persons", in each case under commercially prudent terms.

The terms of such undertaking, when settled between Thornwood and the Foreign Investment Review Agency, will be conditional upon the receipt by Thornwood's beneficial shareholders of all required regulatory consents and approvals.

### **Ownership and Trading in Securities of Conuco and its Affiliates**

Brinco beneficially owns 40,600 Conuco Common Shares (representing less than 1% of the outstanding Conuco Common Shares) which were acquired between May 11, 1979 and July 26, 1979 at an average purchase price of \$5.36 per share. Brinco beneficially owns one 91639 Preferred Share acquired on June 14, 1979 for \$1.00 for purposes of effecting the Merger. Save as aforesaid, no securities of Conuco or any of its affiliates are beneficially owned, nor is control or direction exercised over any such securities, directly or indirectly, (i) by Brinco, any associate or affiliate of Brinco, or any director or senior officer of Brinco or their associates or (ii) to the best of the knowledge of the directors and officers of Brinco, by any person or company who beneficially owns, directly or indirectly, or exercises control or direction over, shares of Conuco or any of its affiliates carrying more than 10% of the voting rights attached to all the outstanding equity shares of Conuco or any of its affiliates, except for certain directors and senior officers of Conuco who hold indirectly 3,216,307 Conuco Common Shares representing 57.3% of the issued and outstanding Conuco Common Shares. Reference is made to the headings "Merging Companies" on page 3 and "Conuco — Holders of Securities" on page 25. To the best of the knowledge of the directors and officers of Brinco, save as aforesaid, none of the persons or companies referred to above have traded in shares of Conuco during the past six months.

### **Material Contracts**

Except for contracts made in the ordinary course of business, the only material contracts entered into by Brinco within the two years preceding the date hereof are the following:

- (i) Merger and Amalgamation Agreement made as of June 13, 1979 among the Merging Companies;
- (ii) Option Agreement made as of December 27, 1978 between UG and Brinex relating to an option granted to Brinex to acquire the UG Interest; and
- (iii) Purchase Agreement made as of August 16, 1979 among Brinco, Brinex and Commonwealth Canada relating to the acquisition by Commonwealth Canada of the UG Interest.

Reference is made to Part II "The Proposed Merger" commencing on page 3 and to the headings "Brinco — Central Labrador Mineral Belt" on page 40 and "Agreement in Principle with CE and Commonwealth Canada" on page 43.

Copies of the above-mentioned contracts may be examined at Brinco's executive offices, 20 King Street West, Toronto, Ontario, during normal business hours at any time prior to the close of business on September 26, 1979.

### **Prior Issues of Brinco Common Shares**

The following is a quarterly summary of issues of Brinco Common Shares by Brinco during the past 12 months. All such issues have been through the exercise of stock options only.

<u>Three Months Ended</u>	<u>No. of Shares Issued</u>	<u>Received in Cash</u>
October 31, 1978	14,100	\$56,400
January 31, 1979	3,500	\$14,000
April 30, 1979	15,500	\$62,000
July 31, 1979	4,000	\$17,500

### **Dividend Record**

Brinco paid a special dividend on the outstanding Brinco Common Shares on October 15, 1974 of \$1.20 per share aggregating \$29,531,000. Brinco has not paid any other dividends on any class of shares during the last five years.



## **V. DESCRIPTION OF BRINCO SHARES**

### **Authorized and Issued Capital of Brinco**

The authorized capital of Brinco presently consists of 35,000,000 common shares without nominal or par value (the "Brinco Common Shares") of which 14,675,018 shares are issued and outstanding as fully paid at the date hereof and 147,000 unissued Brinco Common Shares are reserved for issue pursuant to outstanding employee stock options. In addition, there are 9,973,067 Brinco Common Shares held by Brinco which have been designated by legislation of the Province of Newfoundland as Class A Shares of Brinco for so long as such shares are held by Brinco. While any of such Class A Shares are held by Brinco they are deemed not to be outstanding and are not entitled to receive any dividends or any other payment or distribution. Class A Shares may be re-issued by the directors of Brinco at any time for such consideration as the directors may determine and upon such re-issue become re-designated as Brinco Common Shares having all the rights and characteristics attributable to the Brinco Common Shares as described on page 62.

### **Creation of Brinco Preferred Shares**

Contemporaneously with the mailing of this Information Booklet, Brinco has called the Brinco Shareholders Meeting to be held September 24, 1979 for the purpose, among other things, of authorizing the creation of a class of 10,000,000 preferred shares with a par value of \$5.50 each (the "Brinco Preferred Shares") issuable by the directors of Brinco in series, which will enable Brinco to perform its obligations in respect of the Exchange Privilege and the Redemption Obligation.

If the creation of the Brinco Preferred Shares is approved at the Brinco Shareholders Meeting, the directors of Brinco will, immediately following the registration with the Registrar of Companies (Newfoundland) of the special resolution creating such shares, designate approximately 2,250,000 Brinco Preferred Shares as the Brinco Preferred Shares Series A and approximately 2,150,000 Brinco Preferred Shares as the Brinco Preferred Shares Series B.

The following is a summary of the material rights, privileges, preferences, conditions and restrictions to be attached to the Brinco Preferred Shares as a class and to the Brinco Preferred Shares Series A and the Brinco Preferred Shares Series B. The full attributes of the Brinco Preferred Shares, the Brinco Preferred Shares Series A and the Brinco Preferred Shares Series B are to be as set forth in Parts A, B and C, respectively, of the Appendix to this Information Booklet. All defined terms used in the summary which follows are used with the same meanings as set forth in the aforementioned Appendix. Also set forth below is a summary of the material rights and characteristics of the Brinco Common Shares.

### **Brinco Preferred Shares Class Provisions**

*Issuance in Series.* The directors may from time to time issue Brinco Preferred Shares in one or more series, each series to consist of such number of shares as shall before issuance be determined by the directors who shall fix the designation, rights, privileges, preferences, restrictions and conditions to attach to each series of Brinco Preferred Shares including the rate of preferential dividends (if any), whether cumulative, non-cumulative or partially cumulative, and the dates and places of payment thereof; the restrictions (if any) respecting payment of dividends on Junior Shares as defined on page A-1 in Part A of the Appendix; the rights of Brinco (if any) to redeem any Brinco Preferred Shares and the consideration for and terms and conditions of any such redemption; the rights of retraction (if any) vested in the holders of Brinco Preferred Shares; the voting rights (if any) and the conversion rights (if any); any redemption, sinking or analogous fund; or other provisions attaching to the Brinco Preferred Shares of such series.

*Rateable Participation.* When any fixed cumulative dividends or amounts payable on a return of capital are not paid in full, the cumulative Brinco Preferred Shares of all series shall participate rateably in respect of such dividends, including accumulated dividends, if any, (but only to the extent of and in those cases where a series of Brinco Preferred Shares bears cumulative dividends) in accordance with the sums which would be payable on the cumulative Brinco Preferred Shares if all such

dividends were declared and paid in full, and on any return of capital in accordance with the sums which would be payable on such return of capital if all sums so payable were paid in full.

*Priority over Junior Shares.* The Brinco Preferred Shares will be entitled to preference over Junior Shares with respect to payment of accumulated dividends and return of capital but shall not have any further right to participate in profits and assets and may also be given such other preferences over Junior Shares as may be fixed by the directors.

*Shares Ranking Equally.* The Brinco Preferred Shares of each series will rank on a parity with the Brinco Preferred Shares of every other series with respect to priority in payment of dividends (but only to the extent that and in those cases where a series of Brinco Preferred Shares bears dividends) and in the distribution of assets in the event of the liquidation, dissolution or winding-up.

*Creation of Prior Ranking Shares.* Subject to the provisions attaching to any series of Brinco Preferred Shares, no class of shares may be created ranking prior to or (unless such shares are additional Brinco Preferred Shares) on a parity with the Brinco Preferred Shares without the approval of the holders of the Brinco Preferred Shares given in a specific manner.

*Redemption.* Subject to the provisions of The Companies Act (Newfoundland) and to the provisions attaching to any series of Brinco Preferred Shares, the Brinco Preferred Shares may be redeemed by Brinco, in whole or at any time or in part from time to time, on not less than 30 days' notice at a redemption price equal to the par value thereof together with such premium (if any) as may be applicable to any particular series of Brinco Preferred Shares, and all accrued and unpaid preferential dividends (if any) to the date fixed for redemption. In case a part only of the Brinco Preferred Shares of any series is to be redeemed, the shares to be redeemed shall be selected by lot in such manner as the directors may determine or, if the directors so determine, may be redeemed pro rata disregarding fractions.

*Modification and Consent.* The sanction of the holders of the Brinco Preferred Shares as to any change of class provisions or any change adversely affecting the rights or privileges of the Brinco Preferred Shares may be given by resolution passed by the affirmative vote of the holders of not less than 66 2/3% of the Brinco Preferred Shares represented and voting at a meeting of such holders duly called for such purposes and held in a specified manner.

### **Brinco Preferred Shares Series A Series Provisions**

The Brinco Preferred Shares Series A will, in addition to the terms and conditions relating to the Brinco Preferred Shares as a class, have attached thereto as a series the terms and conditions which are summarized below.

*Dividends.* The holders of Brinco Preferred Shares Series A will be entitled to receive, in priority to the Brinco Common Shares and any shares ranking junior to the Brinco Preferred Shares Series A, fixed cumulative preferential cash dividends, as and when declared by the directors, at the rate of 7% per annum on the par value thereof, to accrue from the Amalgamation and to be payable quarterly on the last day of March, June, September and December in each year. The first of such dividends shall, if declared, be payable on December 31, 1979.

*Conversion Privilege.* The Brinco Preferred Shares Series A will be convertible at any time up to the close of business on the Retraction Date (being the fifth anniversary of the Amalgamation and more fully defined on page A-12 in Part B of the Appendix) or, in the case of shares called for redemption prior thereto, on the last business day prior to the date for which Brinco Preferred Shares Series A are called for redemption, into fully paid and non-assessable Brinco Common Shares on the basis of 0.55 of a Brinco Common Share for each Brinco Preferred Share Series A.

The conversion basis shall be subject to adjustment in certain events, including:

- (i) the distribution of Brinco Common Shares to the holders of Brinco Common Shares by way of stock dividend or otherwise or the subdivision or consolidation of the outstanding



Brinco Common Shares;

- (ii) any consolidation, amalgamation or reorganization of Brinco;
- (iii) the issuance of options, rights or warrants to holders of Brinco Common Shares entitling such holders to acquire Additional Equity Shares (as defined on page A-5 in Part B of the Appendix) at less than the prevailing Market Price (as defined on page A-6 in Part B of the Appendix) of the Brinco Common Shares;
- (iv) the issuance of securities convertible into Brinco Common Shares at a price per share less than the prevailing Market Price of the Brinco Common Shares;
- (v) the issuance of Additional Equity Shares at a price per share less than the prevailing Market Price of the Brinco Common Shares;
- (vi) the distribution to the holders of Brinco Common Shares of any other shares or of options, rights or warrants (other than those referred to in (iii) above) or of evidences of indebtedness or of assets (excluding cash dividends or distributions); or
- (vii) any re-classification or other change in the Brinco Common Shares.

No certificate for a fraction of a Brinco Common Share shall be issued on conversion but in lieu thereof Brinco will make a cash payment.

In the event that Brinco intends to fix a record date for any action referred to in items (i) (other than the subdivision of outstanding Brinco Common Shares into a greater number of shares or the consolidation of outstanding Brinco Common Shares into a smaller number of shares), (ii), (iv) or (vi) above, Brinco will give notice thereof to the holders of Brinco Preferred Shares Series A not less than 21 days prior to the applicable record date setting forth such particulars of such event as shall have been determined at the date such notice is given.

No adjustment in the conversion price will be required unless the cumulative effect of such adjustment or adjustments would reduce the conversion price by at least 1%.

Upon conversion of any Brinco Preferred Shares Series A, Brinco shall make no payment or adjustment on account of any accrued and unpaid dividends on the Brinco Preferred Shares Series A or on account of any dividends on the Brinco Common Shares issuable on such conversions.

*Retraction Privilege.* Brinco shall once, during the 160 day period ending on the Retraction Date (unless all the Brinco Preferred Shares Series A shall have theretofore been converted, redeemed or otherwise retired) invite tenders from all the holders of Brinco Preferred Shares Series A for the redemption of all such shares by Brinco at a price equal to \$5.50 per share plus accrued and unpaid cumulative preferential dividends and, subject as hereinafter stated, shall accept all such tenders received by it during a period of at least 90 days from the date such invitation is mailed (which period shall not expire in any event before the 30th day after the Retraction Date) and give written notice to each holder of a Brinco Preferred Share Series A making such a tender reasonably promptly after the receipt of the same that it has been accepted by Brinco and that payment of the redemption price of the Brinco Preferred Shares Series A so tendered will be made upon surrender of the certificates therefor.

Brinco shall only be obliged to redeem Brinco Preferred Shares Series A pursuant to the aforementioned retraction privilege if and so long as such redemption would not be contrary to any applicable law. If such redemption of all or any portion of the Brinco Preferred Shares Series A would be contrary to applicable law, Brinco shall only be obliged to redeem to the extent that the moneys applied thereto shall be such amount (rounded to the next lower multiple of \$5,000), as would not be contrary to such law. In such case, Brinco shall redeem from each holder that number of whole Brinco Preferred Shares Series A that may be redeemed out of his pro rata share of the total redemption price available as aforesaid and shall issue and deliver to such holder a new share certificate representing Brinco Preferred Shares Series A not redeemed by Brinco.

If Brinco, in its invitation for tenders as aforesaid, gives notice of a maximum number of Brinco Preferred Shares Series A which it then believes it will be permitted to redeem if tendered, or fails to redeem all Brinco Preferred Shares Series A duly tendered in accordance with the aforementioned retraction privilege, or any other retraction privilege as hereinafter described, the holders of the Brinco Preferred Shares Series A shall be entitled to a further retraction privilege for which the date of mailing by Brinco of invitations for tenders shall be such date after the time that Brinco is no longer prevented by provisions of applicable law from redeeming the lesser of (i) the Brinco Preferred Shares Series A then outstanding or (ii) 15,000 Brinco Preferred Shares Series A, as it is reasonably feasible for Brinco to make an invitation for tenders in this regard and the Retraction Date shall be the next succeeding date on which preferential dividends on the Brinco Preferred Shares Series A are payable, which date is not less than 80 days after such invitation date.

*Optional Redemption.* The Brinco Preferred Shares Series A will not be redeemable on or before the last day of the 30th month from the Amalgamation but will be redeemable thereafter at the option of Brinco but only in the event that the trading price (as defined on page A-14 in Part B of the Appendix) of the Brinco Common Shares on the date on which the notice of redemption is given is not less than 150% of the Equivalent Conversion Price then in effect. Subject to the foregoing and to the provisions described below under the heading "Restrictions on the Payment of Dividends and Retirement of Shares" the Brinco Preferred Shares Series A will be redeemable on not less than 30 days' notice at a redemption price of \$5.50 per share plus any accrued and unpaid dividends.

*Mandatory Redemption.* In the event that the Market Price (as defined on page A-6 in Part B of the Appendix) of the Brinco Preferred Shares Series A calculated as at the last day of any fiscal year of Brinco is less than the par value thereof, Brinco shall redeem, within 30 days of such fiscal year end, pro rata from the holders of Brinco Preferred Shares Series A an amount equal to 5% of the aggregate par value of the Original Outstanding Preferred Shares Series A (as defined on page A-14 in Part B of the Appendix) on payment for each share to be so redeemed of \$5.50 plus any accrued and unpaid dividends.

Brinco shall only be obliged to redeem Brinco Preferred Shares Series A under the foregoing provisions if and so long as such redemption would not be contrary to applicable law.

*Restoration to Class on Redemption or Conversion.* Brinco Preferred Shares Series A which are redeemed or converted will revert to the status of authorized but unissued Brinco Preferred Shares not included in any series.

*Restrictions on Payment of Dividends and Retirement of Shares.* So long as any of the Brinco Preferred Shares Series A are outstanding, Brinco shall not, without the prior approval of the holders of such shares:

- (i) pay any dividend (other than stock dividends payable in shares ranking junior to the Brinco Preferred Shares Series A in all respects) or make any other distribution on the Brinco Common Shares or any other shares ranking junior to the Brinco Preferred Shares Series A,
- (ii) retire any Brinco Common Shares or any other shares ranking on a parity with or junior to the Brinco Preferred Shares Series A (except out of the proceeds of an issue of shares ranking junior to the Brinco Preferred Shares Series A), or
- (iii) call for redemption, otherwise than pursuant to the Retraction Privilege described under the heading "Retraction Privilege" on page 58 or to the provisions described under the heading "Mandatory Redemption" above, less than all the Brinco Preferred Shares Series A then outstanding,

unless, in each case, all dividends up to and including the dividend payable for the last completed period for which such dividends shall be payable on the Brinco Preferred Shares Series A then out-



standing shall have been declared and paid at the date of such action.

*Restrictions on Creation and Issue of Equal or Prior Ranking Shares.* So long as any of the Brinco Preferred Shares Series A are outstanding, Brinco shall not issue any other Preferred Shares or any share of any other class ranking in any respect prior to or on a parity with the Brinco Preferred Shares Series A unless:

- (i) Adjusted Consolidated Net Earnings Available for Dividends (as defined on page A-5 in Part B of the Appendix) for any 12 consecutive months of the 18 calendar months immediately preceding the date of issue of such shares shall have been at least equal to two times the annual dividend requirements on all Brinco Preferred Shares and other shares of Brinco ranking in priority to or on a parity with the Brinco Preferred Shares Series A to be outstanding immediately after such issue; and
- (ii) Shareholders' Equity (as defined on page A-6 in Part B of the Appendix), as at a date not more than 180 days prior to such issue, shall be at least equal to one and one-half times the aggregate par value of all Brinco Preferred Shares and other shares of Brinco ranking in priority to or on a parity with the Brinco Preferred Shares Series A to be outstanding immediately after such issue.

In determining "Adjusted Consolidated Net Earnings Available for Dividends" for the purpose of the test set forth above, in certain circumstances there may be included net earnings or net losses (during the relevant period) of property or shares, the cost of which to Brinco is to be paid or reimbursed out of the proceeds of the proposed issue.

*Voting Rights.* The holders of Brinco Preferred Shares Series A shall be entitled to receive notice of, and to attend and, either in person or by proxy, vote (on the basis of that number of votes for each Brinco Preferred Share Series A equal to the conversion basis then in effect) at all meetings of the shareholders of Brinco other than separate meetings of the holders of shares of another series or class of shares of Brinco.

*Election of Directors.* Holders of Brinco Preferred Shares Series A shall be entitled, voting separately and exclusively as a class for so long as at least 10% of the Original Outstanding Preferred Shares Series A remain outstanding, to elect two directors of the total number of the directors of Brinco. In respect of the method of the initial election of the two directors of Brinco to represent the holders of Brinco Preferred Shares Series A, reference is made to the heading "The Merged Company — Arrangements with Conuco Management" on page 64.

*Modification and Consent.* The provisions attaching to the Brinco Preferred Shares Series A may be modified, amended or varied only with the sanction of, and any consent permitted or required to be given by holders thereof may be given by the holders of the Brinco Preferred Shares Series A. Any such sanction or consent to be given by the holders of the Brinco Preferred Shares Series A may be given by the affirmative vote of the holders of not less than 66 2/3% of the Brinco Preferred Shares Series A at a meeting or adjourned meeting of such holders called and held for that purpose in the manner provided for in the provisions attaching to the Brinco Preferred Shares, as a class.

### **Brinco Preferred Shares Series B Series Provisions**

The Brinco Preferred Shares Series B will, in addition to the terms and conditions relating to the Brinco Preferred Shares as a class, have attached thereto as a series the terms and conditions which are summarized below.

*Conversion Privilege.* The Brinco Preferred Shares Series B will be convertible at any time up to but not after the close of business on the Termination Date (being the first anniversary of the Amalgamation and more fully defined on page A-24 in Part C of the Appendix) into fully paid and

non-assessable Brinco Common Shares on the basis of 0.55 of a Brinco Common Share for each Brinco Preferred Share Series B.

No certificate for a fraction of a Brinco Common Share shall be issued on conversion but in lieu thereof Brinco will make a cash payment.

The conversion basis shall be subject to adjustment upon the occurrence of the same events as will give rise to an adjustment in the conversion basis of the Brinco Preferred Shares Series A as described under the heading "Brinco Preferred Shares Series A — Conversion Privilege" on page 57.

In the event that Brinco intends to fix a record date for any action referred to in the second paragraph under the heading "Conversion Privilege" on page 57, Brinco shall give notice thereof to the holders of the Brinco Preferred Shares Series B in the same manner as is specified in the case of the Brinco Preferred Shares Series A.

No adjustment in the conversion price will be required unless the cumulative effect of such adjustment or adjustments would reduce the conversion price by at least 1%.

Upon conversion of any Brinco Preferred Shares Series B Brinco shall make no payment or adjustment on account of any dividends on the Brinco Common Shares issuable on such conversions.

*Retraction at Option of Holder and Deemed Conversion.* A holder of Brinco Preferred Shares Series B shall be entitled until the close of business on the Termination Date to require Brinco to redeem all or any of the Brinco Preferred Shares Series B registered in his name at a redemption price per share equal to \$5.50 on the 30th day after receipt by Brinco from such holder of the share certificate representing the Brinco Preferred Shares Series B which such holder desires to have redeemed.

Brinco shall only be obliged to redeem Brinco Preferred Shares Series B under the foregoing provisions if and so long as such redemption would not be contrary to any applicable law.

In the event a holder of Brinco Preferred Shares Series B does not tender his Brinco Preferred Shares Series B for redemption as aforesaid by the close of business on the Termination Date, or, if having so tendered, it would be contrary to any applicable law for Brinco to redeem his Brinco Preferred Shares Series B so tendered, such Brinco Preferred Shares Series B shall be deemed to have been automatically converted as at such time into Brinco Common Shares on the conversion basis then in effect.

Any Brinco Preferred Shares Series B which are redeemed or converted as provided for above shall be restored to the status of authorized but unissued Brinco Preferred Shares not included in any series of Brinco Preferred Shares.

*Restrictions on Creation and Issue of Equal or Prior Ranking Shares.* So long as any of the Brinco Preferred Shares Series B are outstanding, Brinco shall not issue any other Brinco Preferred Share or any share of any other class ranking in any respect prior to or on a parity with the Brinco Preferred Shares Series B unless Shareholders' Equity (as defined on page A-19 in Part C of the Appendix) as at a date not more than 180 days prior to such issue, shall be at least equal to one and one-half times the aggregate par value of all Brinco Preferred Shares and other shares of Brinco ranking in priority to or on a parity with the Brinco Preferred Shares Series B to be outstanding immediately after such issue; provided that any of such shares which have been duly called for redemption and for the redemption of which adequate provision has been made assuring that such shares shall be redeemed within 35 days thereafter shall be considered to have been redeemed for the foregoing purposes.

*No Dividends.* The Brinco Preferred Shares Series B shall not bear dividends.



***Voting Rights.*** The holders of Brinco Preferred Shares Series B shall be entitled to receive notice of, and to attend and, either in person or by proxy, vote (on the basis of that number of votes for each Brinco Preferred Share Series B equal to the conversion basis then in effect) at all meetings of the shareholders of Brinco other than separate meetings of the holders of shares of another series or class of shares of Brinco.

***Modification and Consent.*** The provisions attaching to the Brinco Preferred Shares Series B may be modified, amended or varied only with the sanction of, and any consent permitted or required to be given by holders thereof may be given by, the holders of the Brinco Preferred Shares Series B. Any such sanction or consent to be given by the holders of the Brinco Preferred Shares Series B may be given by the affirmative vote of not less than 66 2/3% of the Brinco Preferred Shares Series B at a meeting or adjourned meeting of such holders called and held for that purpose in accordance with the provisions of the Brinco Preferred Shares, as a class.

## **Brinco Common Shares**

The holders of Brinco Common Shares will be entitled to dividends when and as declared by the board of directors of Brinco, subject to the prior rights of the Brinco Preferred Shares Series A. Upon liquidation, dissolution or other general distribution of assets of Brinco, after payment of all debts and liabilities and after all required payments to the holders of Brinco Preferred Shares Series A and Brinco Preferred Shares Series B, the holders of Brinco Common Shares will be entitled to share equally and rateably in the balance of any assets of Brinco.

Each holder of Brinco Common Shares will be entitled to one vote for each share held at all meetings of shareholders of Brinco (other than meetings at which only another class or series of shares is entitled to vote).

## **Stock Exchange Listings**

Brinco Common Shares currently outstanding are listed on the Montreal Stock Exchange and on The Toronto Stock Exchange. Brinco intends to apply to the Alberta Stock Exchange to list the presently outstanding Brinco Common Shares and to apply to each of the Alberta, Toronto and Montreal Stock Exchanges for the listings of the Brinco Preferred Shares Series A and the additional Brinco Common Shares required to effect the Merger and to provide for conversions of the Brinco Preferred Shares Series A and Brinco Preferred Shares Series B.

## **Transfer Agents and Registrars**

The Royal Trust Company at its principal office in each of the cities of St. John's, Montreal, Toronto and Calgary, is the transfer agent and registrar for the Brinco Common Shares. Guaranty Trust Company of Canada, at its principal office in each of the cities of St. John's, Montreal, Toronto and Calgary will be the transfer agent and registrar for the Brinco Preferred Shares Series A and Brinco Preferred Shares Series B.

## VI. THE MERGED COMPANY

### Pro-Forma Consolidated Capitalization (Unaudited) <sup>(1)</sup>

	<u>Authorized</u>	<u>Outstanding July 31, 1979</u>	<u>Outstanding July 31, 1979 after giving effect to the Merger</u>
Long-term Debt <sup>(2)</sup>			
Bank loans .....		—	\$ 9,285,000
Notes payable .....		—	\$ 4,220,000
Other loans .....		—	\$ 2,665,000
Minority Interest in Subsidiary Companies .....		\$ 3,325,000	\$ 3,325,000
Capital Stock:			
preferred shares with a par value of \$5.50 each issuable in series .....	10,000,000 shares		
7% cumulative convertible redeemable retractable preferred shares series A ....	2,250,000 shares	—	\$11,819,000 (2,148,928 shares) <sup>(3)</sup>
convertible retractable preferred shares series B ....	2,150,000 shares	—	\$11,819,000 (2,148,928 shares) <sup>(3)</sup>
common shares without nominal or par value <sup>(4)</sup> .....	35,000,000 shares	\$40,994,000 (14,673,518 shares)	\$56,305,000 (16,822,446 shares)

#### NOTES:

(1) This table shows the consolidated capitalization of Brinco and subsidiaries as at July 31, 1979 and the pro-forma consolidated capitalization of the Merged Company as at July 31, 1979 after giving effect to the proposed Merger.

(2) The bank loans are secured by a first floating charge and assignments under Section 82 of the Bank Act of certain oil and gas properties, and bear interest at the prime rate plus one per cent. Although the bank loans are payable on demand, under the agreed terms of repayment no principal payments are due until January 1981.

The notes payable are 5.4% debentures payable August 1, 1982 with interest payable semi-annually. The debentures are secured by a second floating charge on certain oil and gas properties and are subordinate to the bank loans.

The other loans are non-interest bearing advances which Brinco intends to replace with additional long-term bank loans subject to the same conditions as the existing bank loans.

(3) Issued at par value of \$5.50 each.

(4) Authorized: 35,000,000 common shares of which 9,973,067 have been deemed by legislation of the Province of Newfoundland to be a separate class of shares designated as Class A Shares.

Issued and fully paid at July 31, 1979 .....	24,646,585
Less held in treasury as Class A shares .....	9,973,067
Outstanding at July 31, 1979 .....	<u>14,673,518</u>



## Directors and Officers

The Merged Company will have a board of 12 directors. The provisions attaching to the Brinco Preferred Shares Series A entitle the holders thereof to elect, as a class, two members of the board of directors of Brinco for so long as at least 10% of such shares originally issued remain outstanding. The board of directors of the Merged Company will consist of the 10 directors of Brinco at the date hereof (listed as directors under the heading "Brinco — Directors and Officers" on page 49) and the following two persons:

<u>Name</u>	<u>Occupation and Present Position</u>	<u>Place of Residence</u>
Clifford Alan Smith	Executive, Director and President, Conuco	Calgary, Alberta
George Howard Plewes	Executive, Director, Conuco	Rancho Mirage, California

In accordance with the provisions of the Merger and Amalgamation Agreement, Messrs. Smith and Plewes will represent the holders of Brinco Preferred Shares Series A on the board of directors of the Merged Company until the next annual meeting of shareholders or until their successors are elected or appointed. It is anticipated that their appointment to the board of directors of Brinco will occur upon the Amalgamation.

The executive officers of the Merged Company will be, in addition to the executive officers of Brinco listed as officers under the heading "Brinco — Directors and Officers" on page 49, the following:

<u>Name</u>	<u>Office</u>
C. Alan Smith	Vice-President, Oil and Gas
Thomas N. Dirks	Manager of Operations, Oil and Gas
James R. Kassube	Manager of Exploration, Oil and Gas

## Arrangements with Conuco Management

In order to maintain for the benefit of the Merged Company the existing quality of management of Conuco's oil and gas operations, Brinco has entered into management agreements made as of June 13, 1979 with C.A. Smith Resources Ltd., Sage Holdings Ltd. and Sperry Exploration Ltd., (companies controlled by Mr. C. Alan Smith, Mr. Thomas N. Dirks and Mr. James R. Kassube, respectively, all directors and senior officers of Conuco) providing for the personal services of Messrs. Smith, Dirks and Kassube, respectively. The management agreements provide that Messrs. Smith, Dirks and Kassube will be appointed to the offices of Brinco referred to above. The management fees payable pursuant to such agreements are commensurate with current standards in the oil and gas industry in Canada.

## Stock Options

Brinco has entered into agreements with five employees of Conuco who currently hold options to acquire 148,000 unissued Conuco Common Shares pursuant to which such employees have agreed to terminate such options upon the Amalgamation. In consideration of such termination Brinco has agreed to grant options to each such employee to acquire unissued Brinco Shares on the basis of one Brinco Common Share and two Brinco Preferred Shares Series A for every three Conuco Common Shares with respect to which such options have not been exercised prior to the Amalgamation.

### Pro-Forma Asset Coverage

Based on the unaudited pro-forma consolidated balance sheet of the Merged Company as at May 31, 1979, pro-forma consolidated net assets of the Merged Company are as follows:

Current assets .....		\$ 47,444,000
Investments .....		10,482,000
Resource projects .....		80,011,000
Other assets .....		<u>1,207,000</u>
		139,144,000
Less: Current liabilities .....	\$ 4,847,000	
Long term debt .....	15,958,000	
Deferred income taxes .....	2,755,000	
Minority interest in subsidiary companies .....	<u>3,337,000</u>	<u>26,897,000</u>
Pro-Forma Consolidated Net Assets .....		<u>\$112,247,000</u>

The above pro-forma consolidated net assets of the Merged Company are equivalent to 4.75 times the aggregate stated value of the 2,148,928 Brinco Preferred Shares Series A and the 2,148,928 Brinco Preferred Shares Series B.

### Pro-Forma Dividend Coverage

The maximum annual dividend requirements on the Brinco Preferred Shares Series A will amount to approximately \$827,000. While the unaudited pro-forma combined net loss of the Merged Company for the year ended March 31, 1979 was \$350,000, the pro-forma consolidated retained earnings as at May 31, 1979 are 39.1 times the annual dividend requirements. The pro-forma consolidated working capital as at May 31, 1979 was \$42,597,000 which includes cash and short term investments of \$41,272,000.

### Auditors

The auditors of the Merged Company will be Peat, Marwick, Mitchell & Co., who are now the auditors of both Brinco and Conuco.

## VII. FINANCIAL INFORMATION

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## **BRINCO LIMITED AND SUBSIDIARIES**

### **AUDITORS' REPORT**

To the Directors,  
Brinco Limited:

We have examined the consolidated balance sheet of Brinco Limited as at December 31, 1978 and the consolidated statements of earnings and retained earnings and changes in financial position for the five years then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1978 and the results of its operations and the changes in its financial position for the five years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Mississauga, Canada  
March 1, 1979

"Peat, Marwick, Mitchell & Co."  
Chartered Accountants



# BRINCO LIMITED AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (\$000's)

	May 31, 1979 (Unaudited)	May 31, 1978 (Unaudited)	December 31, 1978
<b>ASSETS</b>			
Current assets:			
Cash and short-term investments .....	\$43,406	\$45,621	\$44,514
Accrued interest .....	1,334	930	1,002
Accounts receivable .....	824	1,060	580
Supplies and prepaid expenses .....	119	273	156
Total current assets .....	<u>45,683</u>	<u>47,884</u>	<u>46,252</u>
Investments:			
Coseka Resources Limited — at equity (note 2) .....	10,464	9,785	10,079
Other (note 3) .....	235	165	15
Total investments .....	<u>10,699</u>	<u>9,950</u>	<u>10,094</u>
Long term advances (note 4) .....	564	435	572
Fixed assets (note 5) .....	515	528	512
Expenditures on projects (note 6):			
Abitibi asbestos .....	13,395	13,217	13,356
Labrador uranium .....	8,812	6,858	8,171
Other .....	126	101	122
Total expenditures on projects .....	<u>22,333</u>	<u>20,176</u>	<u>21,649</u>
	<u>\$79,794</u>	<u>\$78,973</u>	<u>\$79,079</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities:			
Accounts payable and accrued liabilities .....	\$ 734	\$ 395	\$ 620
Bank loan .....	990	645	875
Total current liabilities .....	<u>1,724</u>	<u>1,040</u>	<u>1,495</u>
Deferred income taxes .....	1,436	1,303	1,436
Minority interest in subsidiary company .....	3,337	3,410	3,374
Shareholders' equity (note 7) .....	<u>73,297</u>	<u>73,220</u>	<u>72,774</u>
	<u>\$79,794</u>	<u>\$78,973</u>	<u>\$79,079</u>

On behalf of the Board:

"H. R. Snyder", Director

"R. B. Dale-Harris", Director

See accompanying notes.

# BRINCO LIMITED AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

(\$000's)

	Five Months Ended May 31		Year Ended December 31				
	1979	1978	1978	1977	1976	1975	1974
	(Unaudited)						
Income:							
Income from short-term investments .....	\$ 1,890	\$ 1,438	\$ 3,812	\$ 3,771	\$ 5,181	\$ 4,498	\$ 7,759
Income from debentures of Coseka Resources Limited (note 2) .....	—	—	—	179	361	400	248
Equity in net income of Churchill Falls (Labrador) Corporation Limited (note 8) .....	—	—	—	—	—	—	5,166
	<u>1,890</u>	<u>1,438</u>	<u>3,812</u>	<u>3,950</u>	<u>5,542</u>	<u>4,898</u>	<u>13,173</u>
Expenses:							
Administrative .....	1,182	637	1,597	2,645	1,788	1,840	4,434
Depreciation and amortization .....	68	47	120	166	135	109	81
Interest on bank loan .....	45	20	65	31	11	—	—
Exploration expenditures and other costs related to natural resources — net .....	558	609	2,466	2,036	2,297	2,942	2,532
Provision for loss in value of investments (note 3) .....	—	—	150	—	128	897	—
Project expenditures written off .....	—	—	—	—	284	1,390	435
	<u>1,853</u>	<u>1,313</u>	<u>4,398</u>	<u>4,878</u>	<u>4,643</u>	<u>7,178</u>	<u>7,482</u>
Earnings (loss) before items set out separately below .....	37	125	(586)	(928)	899	(2,280)	5,691
Income taxes .....	142	95	185	30	767	172	1,191
	(105)	30	(771)	(958)	132	(2,452)	4,500
Equity in net income of Coseka Resources Limited (note 2) ..	385	506	799	200	—	—	—
	280	536	28	(758)	132	(2,452)	4,500
Extraordinary items:							
Reduction in income taxes (note 11) .....	142	44	—	30	257	172	450
Increase in book value of investment in Coseka Resources Limited (note 2) .....	—	1,576	1,576	—	—	—	—
Gain on sale of shares of Churchill Falls (Labrador) Corporation Limited (note 8) .....	—	—	—	—	—	—	87,148
	422	2,156	1,604	(728)	389	(2,280)	92,098
Minority interest in loss of subsidiary .....	37	22	58	47	66	49	56
Net earnings (loss) .....	459	2,178	1,662	(681)	455	(2,231)	92,154
Retained earnings at beginning of period .....	31,862	65,600	65,600	66,281	65,826	68,057	5,434
	32,321	67,778	67,262	65,600	66,281	65,826	97,588
Less: Dividend paid .....	—	—	—	—	—	—	29,531
Transfer of retained earnings to paid up capital (note 7) .....	—	—	35,400	—	—	—	—
Retained earnings at end of period .....	<u>\$32,321</u>	<u>\$67,778</u>	<u>\$31,862</u>	<u>\$65,600</u>	<u>\$66,281</u>	<u>\$65,826</u>	<u>\$68,057</u>
Earnings per share (note 9)							
Earnings (loss) per share before extraordinary items .....	<u>2.2¢</u>	<u>3.8¢</u>	<u>.6¢</u>	<u>(4.9¢)</u>	<u>1.4¢</u>	<u>(16.3¢)</u>	<u>19.6¢</u>
Net earnings (loss) per share .....	<u>3.1¢</u>	<u>14.9¢</u>	<u>11.3¢</u>	<u>(4.7¢)</u>	<u>3.1¢</u>	<u>(15.1¢)</u>	<u>397.3¢</u>

See accompanying notes.

**BRINCO LIMITED AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION**

(\$000's)

	Five Months Ended May 31		Year Ended December 31				
	1979	1978	1978	1977	1976	1975	1974
	(Unaudited)						
Source of Funds:							
Earnings (loss) before equity in net income of Coseka Resources Limited, extraordinary items and minority interest in loss of subsidiary .....	\$ (105)	\$ 30	\$ —	\$ —	\$ 132	\$ (2,452)	\$ 4,500
Items not affecting working capital during the period:							
Depreciation and amortization .....	68	47	—	—	135	109	81
Deferred income taxes .....	142	95	—	—	767	172	1,191
Provision for loss in value of investments .....	—	—	—	—	128	897	—
Project expenditures written off .....	—	—	—	—	284	1,390	435
Other .....	—	13	—	—	—	—	—
Equity in net income of Churchill Falls (Labrador) Corporation Limited .....	—	—	—	—	—	—	(5,166)
Funds provided from operations .....	105	185	—	—	1,446	116	1,041
Net proceeds from sale of shares of Churchill Falls (Labrador) Corporation Limited (note 8) .....	—	—	—	—	—	—	159,000
Reduction in long term advances .....	8	3	—	—	—	—	—
Proceeds from sale of investments .....	—	—	—	39	212	—	—
Proceeds from issue of common shares .....	64	—	68	—	—	—	1,308
Total funds provided .....	177	188	68	39	1,658	116	161,349
Use of funds:							
Loss before equity in net income of Coseka Resources Limited, extraordinary items and minority interest in loss of subsidiary .....	—	—	771	958	—	—	—
Items not affecting working capital during the period:							
Depreciation and amortization .....	—	—	120	166	—	—	—
Provision for loss in value of investments .....	—	—	150	—	—	—	—
Loss on disposal of fixed asstes .....	—	—	—	111	—	—	—
Deferred income taxes .....	—	—	185	30	—	—	—
Other .....	—	—	9	5	—	—	—
Funds used in operations .....	—	—	307	646	—	—	—
Project expenditures:							
Abitibi asbestos .....	39	43	182	154	519	1,395	1,406
Labrador uranium .....	641	287	1,600	3,477	3,094	—	—
Other .....	4	5	22	71	25	245	500
Fixed assets — net .....	71	58	115	346	166	96	473
Investment in shares and debentures of Coseka Resources Limited .....	—	—	—	383	15	—	3,500
Investments in common shares of other companies .....	220	—	—	—	—	6	1,227
Long term advances .....	—	—	134	438	—	—	—
Purchase of Brinco common shares (note 7) .....	—	—	—	—	—	5,890	64,620
Investment in Abitibi Asbestos Mining Company .....	—	—	—	—	—	—	2,838
Dividend paid .....	—	—	—	—	—	—	29,531
Total funds used .....	975	393	2,360	5,515	3,819	7,632	104,095
Increase (decrease) in working capital .....	(798)	(205)	(2,292)	(5,476)	(2,161)	(7,516)	57,254
Working capital at beginning of period .....	44,757	47,049	47,049	52,525	54,686	62,202	4,948
Working capital at end of period .....	<u>\$43,959</u>	<u>\$46,844</u>	<u>\$44,757</u>	<u>\$47,049</u>	<u>\$52,525</u>	<u>\$54,686</u>	<u>\$ 62,202</u>

See accompanying notes.



## BRINCO LIMITED AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Information at any date subsequent to December 31, 1978 and for the five months ended May 31, 1979 and 1978 is unaudited)

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements have been prepared following accounting principles generally accepted in Canada.

The principal accounting policies of the Company and its subsidiaries are summarized hereunder.

##### **Basis of Consolidation:**

The consolidated financial statements include the accounts of the Company and all its subsidiary companies. The active subsidiaries and the Company's ownership therein are as follows:

	Ownership
British Newfoundland Exploration Limited ("Brinex") .....	100%
Union Holdings Incorporated .....	100%
Abitibi Asbestos Mining Company Limited ("Abitibi") .....	60%

##### **Investments in Other Companies:**

Investments in other companies are carried at cost, less amounts written off where appropriate, until such time as the holdings are deemed to enable the Company to exercise significant influence whereupon the equity method of accounting for the investment is adopted.

##### **Exploration and Project Expenditures:**

Exploration expenditures and costs related to the investigation of possible investments in natural resources are charged to income as incurred, net of recoveries from joint venture partners. Project expenditures, net of recoveries from partners, are carried forward as assets so long as the projects are considered to be of value. The costs of such projects are written off in the event of abandonment or are subject to depreciation and amortization when the projects are put into operation.

##### **Depreciation and Amortization:**

Depreciation of fixed assets and leasehold improvements is provided generally on the straight line basis over the estimated service lives of the assets or terms of the leases. The costs of fixed assets retired or otherwise disposed of and the related accumulated depreciation are removed from the accounts and the resulting gain or loss reflected in income or project costs as appropriate.

##### **Income Taxes:**

Tax allocation procedures are followed, except that no recognition is given in the accounts to the possible future tax reduction which may be realized through the deduction in determining taxable income in future years of unclaimed amounts of depreciation, exploration and preproduction expenditures and losses available for carryforward. The reduction in income taxes resulting from the application of such unclaimed deductions and losses carried forward is reflected as an extraordinary item in the years in which the tax reduction is realized.

##### **Foreign Exchange:**

Current assets and liabilities arising in currencies other than Canadian dollars are translated at exchange rates in effect at balance sheet dates; all other assets, liabilities, revenues and expenses are translated at rates in effect at dates of transactions. Any gain or loss on exchange resulting from conversion or translation of foreign currency balances is reflected in the consolidated statement of earnings.

#### 2. INVESTMENT IN COSEKA RESOURCES LIMITED ("COSEKA"):

During 1973 the Company entered into an agreement with Coseka for the purchase of 727,273 common shares of Coseka and 8% convertible debentures Series "A" and Series "B". During 1976 the Company converted the series "A" debenture into 545,455 common shares of Coseka at \$2.75 per share.

In 1977, 126,254 shares were purchased at \$2.75 each and the Company converted the Series "B" debenture into 1,166,667 common shares of Coseka at \$3.00 per share thereby increasing its interest to more than 20.0% whereupon the equity method of accounting for the investment was adopted. The excess of cost of shares over equity in net assets of Coseka of \$1,763,000 is being amortized over a forty-year period by charges against the Company's share of Coseka's net income. The amortization amounted to \$20,000 to May 31, 1979, \$20,000 to May 31, 1978 and \$44,000 to December 31, 1978.

In February 1978, Coseka issued additional common shares to acquire a 100% interest in Taiga Resources Limited. As a result, the book value of Brinco's share of the consolidated net assets of Coseka increased by \$1,576,000 and this increase has been included in earnings as an extraordinary item.

The Company has the right until 1982 to participate in any equity financing by Coseka.



### 3. OTHER INVESTMENTS:

	May 31, 1979	May 31, 1978	December 31, 1978
Investments, at cost .....	\$514,000	\$294,000	\$294,000
Provision for loss in value .....	279,000	129,000	279,000
	<u>\$235,000</u>	<u>\$165,000</u>	<u>\$ 15,000</u>
Quoted market value .....	<u>\$222,000</u>	<u>\$ 13,000</u>	<u>\$ 18,000</u>

In 1975 the Company did not exercise certain options and rights in connection with certain of its investments and as a result, these investments were written down to estimated realizable value, based on the then prevailing quoted market price.

### 4. LONG TERM ADVANCES:

The advances are employee housing assistance loans including amounts due from officers amounting to \$364,000 at May 1979, \$156,000 at May 1978 and \$299,000 at December 1978.

### 5. FIXED ASSETS:

	May 31, 1979	May 31, 1978	December 31, 1978
Buildings and equipment, at cost .....	\$1,010,000	\$ 996,000	\$ 972,000
Leasehold improvements, at cost .....	491,000	422,000	450,000
	1,501,000	1,418,000	1,422,000
Accumulated depreciation and amortization .....	990,000	894,000	914,000
	511,000	524,000	508,000
Land, at cost .....	4,000	4,000	4,000
	<u>\$ 515,000</u>	<u>\$ 528,000</u>	<u>\$ 512,000</u>

### 6. EXPENDITURES ON PROJECTS:

#### Abitibi Asbestos

Under the terms of an agreement entered into with Abitibi in 1972 and amended in 1973, the Company purchased 800,000 shares of Abitibi for \$500,000 in cash and a commitment to spend \$1,500,000 on the construction of a pilot plant and related preproduction studies on the asbestos properties of Abitibi. The agreement, as amended, provided for conversion of expenditures by the Company in excess of the \$1,500,000 into additional shares of Abitibi on the basis of one share for each \$2.50 of such excess, or, under certain conditions, reimbursement in cash. By September 1974, through the conversion of such expenditures and direct purchases of common shares, the Company had increased its investment in Abitibi to 50.2% of the outstanding share capital and the accounts of Abitibi were consolidated with those of the Company as of that date. The purchase method was used in accounting for the business combination and the excess of cost of shares over equity in net assets acquired has been attributed to the Abitibi asbestos project. The agreement referred to above expired in 1976.

Since that time, discussions have continued between Abitibi, the Province of Quebec and a major asbestos producer concerning their participation in the development of the asbestos deposit. Satisfactory commercial arrangements leading to such development and recovery of the project costs are dependent upon capital financing arrangements, asbestos market conditions, environmental considerations and general economic conditions.

#### Labrador Uranium

The expenditures on the Labrador Uranium project are net of recoveries from a partner.

In August 1979 Brinco and Brinex entered into an agreement in principle with Edison Development Canada Inc. ("Edison") and Edison's parent company, Commonwealth Edison Company of Chicago ("CE"), whereby Edison will arrange financing of mine and mill construction at the Kitts and Michelin uranium deposits and CE will purchase up to 18,000,000 pounds of uranium.

Brinex has exercised an option to acquire the 40% interest of Urangesellschaft Canada Limited ("UG Canada") in the joint venture covering portions of Brinex's concession areas in Labrador, which include the Kitts and Michelin uranium deposits, and upon receipt of required approvals by governments and other regulatory authorities will transfer this 40% interest to Edison. Pending receipt of such approvals Brinex has entered into a trust agreement with SBC Financial Limited ("SBC"), a subsidiary of Swiss Bank Corporation, under which SBC has agreed to advance \$10,100,000 to acquire and hold UG Canada's 40% interest. SBC is providing the funds at the prime rate charged from time to time by The Royal Bank of Canada.

Should approval for the transfer of UG Canada's interest to Edison not be forthcoming and should Brinex be unable to make other arrangements then Brinex will purchase UG Canada's interest.

## 7. SHAREHOLDERS' EQUITY

	May 31, 1979	May 31, 1978	December 31, 1978
Capital stock .....	\$111,486,000	\$ 75,952,000	\$111,422,000
Retained earnings .....	32,321,000	67,778,000	31,862,000
	143,807,000	143,730,000	143,284,000
Less cost of common shares purchased pursuant to the 1974 tender offer to shareholders .....	70,510,000	70,510,000	70,510,000
	<u>\$ 73,297,000</u>	<u>\$ 73,220,000</u>	<u>\$ 72,774,000</u>

Common shares, without nominal or par value, authorized, issued and outstanding were:

	May 31, 1979	May 31, 1978	December 31, 1978
Authorized .....	35,000,000	35,000,000	35,000,000
Issued and fully paid .....	24,642,585	24,609,485	24,626,585
Less held in Treasury as Class A shares .....	9,973,067	9,973,067	9,973,067
	<u>14,669,518</u>	<u>14,636,418</u>	<u>14,653,518</u>

Common shares were issued under stock option plans during the five years ended December 31, 1978 and the five months ended May 31, 1979 as follows:

	Number of common shares	Amount Received
Year ended December 31, 1974 .....	302,674	\$1,308,000
Year ended December 31, 1978 .....	17,100	68,000
Five months ended May 31, 1979 .....	16,000	64,000
	<u>335,774</u>	<u>\$1,440,000</u>

During 1978, the 9,973,067 shares purchased pursuant to the 1974 tender offer to shareholders and held in treasury were deemed by legislation to be a separate class of shares designated as Class A shares. While these shares are held by or on behalf of Brinco Limited, no holder thereof is entitled to receive any payment or other distribution made in respect of the common shares of the Company. However, upon the sale of such Class A shares, they revert to their former status as common shares.

To preserve the capital nature of its 1971 Capital Surplus on Hand (as that term is presently defined in the Income Tax Act of Canada) the Company has transferred \$35,400,000, representing almost all of its 1971 Capital Surplus on Hand, from retained earnings to the paid-up capital attributable to the Company's issued common shares.

Under the Company's 1975 stock option plan, 200,000 common shares have been set aside for issuance. At December 31, 1978, options were outstanding on 94,500 shares (including 73,500 to officers) at \$4 and \$7 per share exercisable until September 1, 1981 and August 31, 1983 respectively and 88,400 shares remained available for issue.

At May 31, 1979, options were outstanding on 152,000 shares (including 112,500 to officers) at prices ranging from \$4.00 to \$7.00 per share exercisable on certain dates until September 1, 1981 and February 26, 1984 and 14,900 shares remained available for issue.

## 8. CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED ("CHURCHILL FALLS"):

On June 27, 1974, the Company sold to the Government of Newfoundland its interest in the share capital of Churchill Falls and Gull Island Power Company Limited together with its other Labrador water power rights and information and studies related thereto for \$159 million cash after costs related to the sale. The Company recorded as income its equity in the net income of Churchill Falls for the period up to the date of sale. The sale resulted in a gain of \$87,148,000.

## 9. EARNINGS (LOSS) PER SHARE:

The calculation of net earnings (loss) per share has been made using the weighted average number of common shares outstanding, less shares held in treasury, during the respective years. There would be no material dilution of net earnings per share if the outstanding options were exercised.

## 10. COMMITMENTS:

In 1953, the Government of Newfoundland and the Company entered into an agreement (the "Principal Agreement") whereby the Company was granted options on extensive natural resource concessions within the Province of Newfoundland. Under the terms of the Principal Agreement, as amended, the Company is obligated to pay the Government of Newfoundland an annual rental equal to 8% of the Consolidated net profits before income taxes (as defined) of the Company and its subsidiary companies resulting from the operations of the concessions and rights retained under the Principal Agreement.

The Company leases office accommodation which requires annual rental payments of \$177,000 to 1982 and \$195,000 to 1987.

**11. INCOME TAXES:**

For income tax purposes, the Company and its subsidiaries claim as deductions, depreciation and exploration and development expenditures sufficient to offset income which would otherwise be taxable. As at December 31, 1978 depreciation and amounts written off since the commencement of operations exceed allowances claimed for tax purposes by \$15,400,000. Also, the Company and its subsidiaries have unclaimed earned depletion allowances of \$10,200,000 which are available for offset against future resource profits.

In addition, the Company and its subsidiaries have business losses of approximately \$2,200,000 (of which \$1,400,000 expire by 1980) and capital losses of approximately \$2,000,000 carried forward for income tax purposes.

For the five months ended May 31, 1979 there were no material changes to the Company's balance of unclaimed tax allowances as reported at December 31, 1978.

**12. MERGER AND AMALGAMATION AGREEMENT:**

On May 2, 1979, the Company reached agreement with Conuco Limited and certain of its affiliated companies whereby the companies would be merged. To give effect to the terms of the proposed merger Brinco will:

- (a) request shareholder approval for the creation of a class of 10,000,000 preferred shares with a par value of \$5.50 each, issuable in series;
- (b) issue the following shares for every three outstanding common or preferred shares of Conuco Limited:
  - (i) one Series A 7% convertible redeemable retractable voting preferred share,
  - (ii) one Series B convertible retractable voting preferred share, and
  - (iii) one common share.

The proposed merger is conditional upon approval by the shareholders of each of the merging companies and certain regulatory authorities.



## **CONUCO LIMITED**

### **AUDITORS' REPORT TO THE DIRECTORS**

We have examined the consolidated balance sheet of Conuco Limited as at March 31, 1979 and the consolidated statements of earnings and retained earnings and changes in financial position for the two years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of the company as at March 31, 1979 and the results of its operations and the changes in its financial position for the two years then ended in accordance with generally accepted accounting principles which, except for the change in the method of accounting for certain general and administrative costs for the year ended March 31, 1979 as described in Note 1 to the consolidated financial statements, have been applied on a consistent basis.

Calgary, Canada  
June 1, 1979

"Peat, Marwick, Mitchell & Co."  
Chartered Accountants

### **AUDITORS' REPORT TO THE DIRECTORS OF CONUCO LIMITED**

We have examined the consolidated statements of earnings and retained earnings and changes in financial position of Conuco Limited for the three years ended March 31, 1977. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the results of operations and the changes in financial position of the company for the three years ended March 31, 1977 in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the method of accounting for oil and gas operations as described in note 2, on a consistent basis.

Our reports on the financial statements for the three years ended March 31, 1977 were originally qualified as to the uncertainty of the outcome of pending legal proceedings involving a subsidiary of the company. These legal proceedings have subsequently been settled without loss to the subsidiary in excess of amounts previously provided in the accounts and accordingly the original qualifications have now been removed.

Calgary, Canada  
June 6, 1977  
(August 17, 1979 as to note 2  
and the resolution of legal  
proceedings referred to above)

"Thorne, Riddell & Co."  
Chartered Accountants



# CONUCO LIMITED

## CONSOLIDATED BALANCE SHEETS (\$000's)

	May 31, 1979 (Unaudited)	March 31, 1979
<b>ASSETS</b>		
Current assets:		
Cash .....	\$ —	\$ 2,157
Accounts receivable .....	3,743	6,479
Inventories .....	152	152
	<u>3,895</u>	<u>8,788</u>
Oil and gas properties and equipment (Notes 2 and 5) .....	26,010	26,004
Other assets .....	128	133
	<u>\$30,033</u>	<u>\$34,925</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Bank overdraft .....	\$ 111	\$ —
Accounts payable and accrued liabilities .....	3,123	8,072
	<u>3,234</u>	<u>8,072</u>
Long-term debt (Note 6) .....	15,958	16,027
Deferred income taxes (Note 7) .....	1,319	1,309
Minority interest (Note 8) .....	1,568	1,568
Shareholders' equity (Note 9) .....	7,954	7,949
	<u>\$30,033</u>	<u>\$34,925</u>

On behalf of the Board:

"C. A. Smith", Director

"M. T. Riback", Director

*See accompanying notes.*

# CONUCO LIMITED

## CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS (\$000's)

	Two Months Ended May 31,  1979 (Unaudited)	1979	1978	1977	1976	1975
		Year Ended March 31,				
Revenue:						
Oil and gas sales .....	\$ 503	\$1,365	\$ 479	\$ 256	\$ 41	\$ 29
Operating and consulting fees .....	64	228	301	—	—	—
Other revenue .....	2	237	148	135	146	324
	<u>569</u>	<u>1,830</u>	<u>928</u>	<u>391</u>	<u>187</u>	<u>353</u>
Expenses:						
Production .....	153	429	103	83	29	17
General and administrative .....	129	677	356	164	110	108
Interest on long-term debt .....	217	356	29	39	26	57
	<u>499</u>	<u>1,462</u>	<u>488</u>	<u>286</u>	<u>165</u>	<u>182</u>
Earnings before the following .....	70	368	440	105	22	171
Depletion .....	196	580	209	106	18	4
Depreciation .....	22	79	39	14	2	5
	<u>218</u>	<u>659</u>	<u>248</u>	<u>120</u>	<u>20</u>	<u>9</u>
Earnings (loss) before the following .....	(148)	(291)	192	(15)	2	162
Income taxes:						
Current .....	(23)	(98)	(7)	6	8	12
Deferred .....	11	134	67	(42)	(42)	(24)
	<u>(12)</u>	<u>36</u>	<u>60</u>	<u>(36)</u>	<u>(34)</u>	<u>(12)</u>
Earnings (loss) from continuing operations .....	(136)	(327)	132	21	36	174
Income (loss) from discontinued operations .....	—	—	37	(212)	(42)	(37)
Earnings (loss) before extraordinary items .....	(136)	(327)	169	(191)	(6)	137
Extraordinary items:						
Gain on sale of fixed assets, net of applicable deferred income taxes \$67 — 1978, \$29 — 1976, and applicable income taxes \$69 — 1975 .....	—	—	178	—	204	284
Gain on sale of marketable securities, net of deferred income taxes of \$53 .....	—	—	—	422	—	—
Realization of benefits of tax loss carry-forwards .....	—	—	—	18	8	82
Write down of investment .....	—	—	—	(7)	—	—
Cancellation of debt .....	—	—	—	—	—	10
Write off of goodwill .....	—	—	—	—	—	(137)
	<u>—</u>	<u>—</u>	<u>178</u>	<u>433</u>	<u>212</u>	<u>239</u>
Net earnings (loss) .....	(136)	(327)	347	242	206	376
Retained earnings at beginning of period .....	722	1,199	852	610	404	28
	<u>586</u>	<u>872</u>	<u>1,199</u>	<u>852</u>	<u>610</u>	<u>404</u>
Less: Dividends on 4% cumulative preferred shares .....	31	128	—	—	—	—
Expenses relating to capital reorganization .....	12	22	—	—	—	—
Retained earnings at end of period .....	<u>\$ 543</u>	<u>\$ 722</u>	<u>\$1,199</u>	<u>\$ 852</u>	<u>\$ 610</u>	<u>\$ 404</u>
Earnings per share (Note 10)						
Earnings (loss) per share before extraordinary items .....	<u>\$ (0.02)</u>	<u>\$ (0.09)</u>	<u>\$ 0.03</u>	<u>\$ (0.04)</u>	<u>\$ 0.00</u>	<u>\$ 0.03</u>
Net earnings (loss) per share .....	<u>\$ (0.02)</u>	<u>\$ (0.09)</u>	<u>\$ 0.07</u>	<u>\$ 0.05</u>	<u>\$ 0.05</u>	<u>\$ 0.08</u>

See accompanying notes.

# CONUCO LIMITED

## CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION (\$000's)

	Two Months Ended May 31,	Year ended March 31,				
	1979	1979	1978	1977	1976	1975
	(Unaudited)					
Source of funds:						
From operations:						
Continuing operations .....	\$ 93	\$ 316	\$ 472	\$ 119	\$ 24	\$ 174
Discontinued operations .....	—	—	78	(28)	180	164
Funds from operations .....	93	316	550	91	204	338
Proceeds on disposal of oil and gas properties .....	24	629	68	—	—	—
Issue of common shares .....	184	540	764	—	—	2
Issue of long-term debt .....	930	5,899	—	—	—	115
Contribution by shareholders (Note 3) .....	—	652	—	—	—	—
Proceeds on disposal of other assets .....	—	216	—	—	—	—
Other .....	5	27	33	—	13	—
Proceeds on disposal of industrial division .....	—	—	697	—	—	—
Issue of 4% cumulative preferred shares .....	—	—	3,300	—	—	—
Gain on sale of marketable securities .....	—	—	—	475	—	—
Sale of assets .....	—	—	—	—	530	1,434
	1,236	8,279	5,412	566	747	1,889
Application of funds:						
Purchase of oil and gas properties and equipment .....	248	3,406	1,754	923	448	105
Purchase of subsidiary companies — net of working capital (Note 3) .....	—	—	3,241	—	—	—
Jasper Oils Ltd. ....	—	147	—	—	—	—
Exalta Petroleum Ltd. ....	—	2,710	—	—	—	—
Republic Resources Limited .....	31	128	—	—	—	—
Dividends on 4% cumulative preferred shares ..	12	22	—	—	—	—
Expenses relating to capital reorganization .....	1,000	1,939	50	60	144	495
Reduction of long-term debt .....	—	—	—	283	79	120
Other .....	—	—	—	—	—	150
Purchase of investment .....	1,291	8,352	5,045	1,266	671	870
Increase (decrease) in working capital .....	(55)	(73)	367	(700)	76	1,019
Working capital, beginning of period .....	716	789	422	1,122	1,046	27
Working capital, end of period .....	\$ 661	\$ 716	\$ 789	\$ 422	\$1,122	\$1,046

See accompanying notes.

# CONUCO LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Information at any date subsequent to March 31, 1979 and for the two months ended May 31, 1979 is unaudited)

### 1. SIGNIFICANT ACCOUNTING POLICIES:

#### Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries. All subsidiaries are wholly owned, except Exalta Petroleums Ltd. in which the Company holds 100% of the common shares and none of the preferred shares. The preferred shares are presented as minority interest.

#### Oil and gas operations:

The Company follows the full cost method of accounting for oil and gas operations wherein all costs related to the exploration for and the development of oil and gas reserves are capitalized. All such costs, and costs of production and related equipment, are amortized on the composite unit-of-production method, based on estimated proven reserves.

Effective April 1, 1978, the Company adopted the policy of capitalizing general and administrative costs related to exploration activities. This resulted in a decrease in general and administrative expenses for the year ended March 31, 1979 of \$88,000 and a decrease in the net loss of \$50,000 (\$0.01 per share).

Substantially all of the exploration and production activities of the Company are conducted jointly with others and accordingly the accounts reflect only the proportionate interest of the Company.

#### Inventories:

Inventories are valued at the lower of cost and net realizable value.

#### Other assets:

Other assets are carried at cost less amount written-off.

#### Foreign currency translation:

The accounts of foreign subsidiaries have been translated to Canadian dollars using the current-noncurrent method and the resulting gain, which is not material, has been deferred.

### 2. CHANGE IN ACCOUNTING FOR OIL AND GAS OPERATIONS:

During the year ended March 31, 1978, the Company retroactively adopted the following change in method of accounting for its oil and gas operations:

- Exploration costs related to unsuccessful areas, previously written off to earnings, are now capitalized and amortized in the manner described in Note 1.
- Depreciation of production and related equipment, previously calculated by the diminishing balance method, is now being calculated by the composite unit-of-production method as is described in Note 1.

These changes in accounting policies have been retroactively adopted and have resulted in a net increase in oil and gas properties and equipment of \$368,000 — March 31, 1977, \$90,000 — March 31, 1976, \$86,000 — March 31, 1975 and an increase in deferred income tax of \$176,000 — March 31, 1977, \$43,000 — March 31, 1976, \$41,000 — March 31, 1975. Retained earnings increased by \$192,000 — March 31, 1977, \$47,000 — March 31, 1976, \$45,000 — March 31, 1975.

### 3. ACQUISITION OF SUBSIDIARY COMPANIES:

Effective October 31, 1977, the Company acquired all of the outstanding shares of Jasper Oils Ltd. in exchange for 942,857 of its preferred shares having a par value of \$3,300,000. Details of the acquisition, which has been accounted for by the purchase method, are as follows:

Net book value oil and gas properties and equipment .....	\$1,886,000
Deferred income taxes .....	62,000
	<u>1,824,000</u>
Working capital .....	122,000
	<u>1,946,000</u>
Excess of purchase price over book value of net assets acquired; allocated to oil and gas properties .....	1,354,000
Total cost of investment .....	<u>\$3,300,000</u>
Represented by:	
Working capital .....	\$ 122,000
Oil and gas properties .....	3,240,000
	<u>3,362,000</u>
Deferred income taxes .....	62,000
	<u>\$3,300,000</u>

Effective October 31, 1978, the Company acquired for a cash consideration of \$2,573,000, 50% of the outstanding shares of Republic Resources Limited. On the same date Exalta Petroleums Ltd. acquired the other 50% of the outstanding



shares of Republic Resources Limited for a cash consideration of \$2,432,000 and 50,000 common shares of Conuco Limited valued at \$250,000. At that date Exalta Petroleum Ltd. was the parent company of Conuco Limited.

Effective December 31, 1978, the Company, under Section 85.1 of the Income Tax Act, acquired all of the outstanding common shares of Exalta Petroleum Ltd. in exchange for 2 common shares. The value of the common shares of Exalta Petroleum Ltd. has been determined by the Board of Directors to be \$652,000 and accordingly, \$652,000 has been credited to contributed surplus.

Details of these acquisitions, accounted for by the purchase method, are as follows:

	<b>Exalta Petroleum Ltd.</b>	<b>Republic Resources Limited</b>
Book value of assets .....	\$ 8,917,000	\$3,077,000
Book value of liabilities .....	11,382,000	2,608,000
	(2,465,000)	469,000
Deduct minority interest in preferred shares .....	1,568,000	—
	(4,033,000)	469,000
Excess of purchase price over net book value of net assets acquired; allocated to oil and gas properties .....	4,685,000	2,104,000
Purchase price .....	<u>\$ 652,000</u>	<u>\$2,573,000</u>
Represented by:		
Working capital (deficiency) .....	\$ 505,000	\$ (137,000)
Oil and gas properties and equipment .....	12,044,000	5,168,000
Other assets .....	35,000	11,000
	12,584,000	5,042,000
Long-term debt .....	(9,629,000)	(2,439,000)
Deferred income taxes .....	(735,000)	(30,000)
Minority interest in preferred shares .....	(1,568,000)	—
	<u>\$ 652,000</u>	<u>\$2,573,000</u>

#### 4. DISCONTINUED OPERATIONS:

During the year ended March 31, 1975 the Company sold its equipment rental and real estate rental divisions and ceased operations in its structural steel division. Effective September 30, 1977, the Company sold its investments in certain subsidiary companies comprising its industrial division.

The operating results of these divisions have been shown separately in the consolidated statements of earnings under the heading "Income (loss) from discontinued operations".

#### 5. OIL AND GAS PROPERTIES AND EQUIPMENT:

	May 31, 1979		March 31, 1979	
	<b>Cost</b>	<b>Accumulated Depreciation and Depletion</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Oil and gas properties .....	\$25,210,000	\$1,716,000	\$23,494,000	\$23,466,000
Production equipment .....	2,739,000	249,000	2,490,000	2,510,000
Other equipment .....	49,000	23,000	26,000	28,000
	<u>\$27,998,000</u>	<u>\$1,988,000</u>	<u>\$26,010,000</u>	<u>\$26,004,000</u>

#### 6. LONG TERM DEBT:

	May 31 1979	March 31 1979
Bank loans .....	\$ 9,256,000	\$10,807,000
5.4% debentures payable August 1, 1982; interest payable semi-annually .....	4,220,000	4,220,000
Non-interest bearing notes due May 1, 1979 .....	—	1,000,000
Advances — non-interest bearing .....	2,482,000	—
	<u>\$15,958,000</u>	<u>\$16,027,000</u>

The bank loans are secured by a first floating charge and assignments under Section 82 of the Bank Act of certain oil and gas properties, and bear interest at the bank prime rate plus one percent. Although the bank loans are payable on demand, under the agreed terms of repayment no principal payments are due until January, 1981.

The 5.4% debentures are secured by a second floating charge on certain oil and gas properties and are subordinate to the bank loans.

During the two month period ending May 31, 1979, the Company refinanced the non-interest bearing notes by additional long-term bank loans subject to the same conditions as the existing bank loans. Accordingly these notes at March 31, 1979 have been classified as long-term.

Subsequent to May 31, 1979 the Company intends to replace the advances with additional long-term bank loans subject to the same conditions as the existing bank loans. The appropriate line of credit has been arranged with the bank and accordingly these advances have been classified as long-term.

#### 7. DEFERRED INCOME TAXES:

The accompanying consolidated statement of earnings for the year ended March 31, 1979 and the two months ended May 31, 1979 reflects a provision for deferred income taxes notwithstanding a pre-tax loss. This results primarily from depletion, which is not deductible for income tax purposes, provided on the excess of the purchase prices of subsidiaries acquired over their underlying net book values at dates of acquisition. These excesses have been allocated to oil and gas properties.

#### 8. MINORITY INTEREST:

The minority interest represents 1,568,185, 4% Class "A" cumulative redeemable preferred shares with a nominal or par value of \$1 per share, issued by a subsidiary company. Dividends are payable annually.

#### 9. SHAREHOLDERS' EQUITY:

	May 31 1979	March 31 1979
Share capital:		
4% cumulative redeemable convertible preferred shares with a par value of \$3.50 per share Authorized 1,000,000 shares; issued 891,157 (March 31, 1979 — 901,657) .....	\$3,119,000	\$3,156,000
Common shares without nominal or par value. Authorized 7,000,000 shares; issued 5,596,227 (March 31, 1979 — 5,467,727) .....	3,640,000	3,419,000
Contributed surplus (Note 3) .....	652,000	652,000
Retained earnings .....	543,000	722,000
	<u>\$7,954,000</u>	<u>\$7,949,000</u>

During the year ended March 31, 1978, the authorized capital of the Company was increased by the creation of one million 4% cumulative redeemable convertible preferred shares with a nominal or par value of \$3.50 per share. The preferred shares are redeemable at par plus dividends as follows:

1. At the option of the Company after the second anniversary of the date of issue upon satisfaction of certain conditions.
2. At the option of the shareholders in March of each year.

The preferred shares are convertible into common shares at a rate of one common share for each preferred share during the first three years from the date of issue and at reduced rates thereafter. The conversion privilege expires on the eighth anniversary of the date of issue. 942,857 of these shares were subsequently issued in connection with the acquisition of a subsidiary company (see Note 3). During the year ended March 31, 1979 — 41,200 and during the two month period ended May 31, 1979 — 10,500 preferred shares were converted to common shares.

On October 7, 1977, an agreement was ratified between various working interest participants, including Exalta Petroleum Ltd. as farmor, and the Company and a third party as farmee whereby the third party is committed to expend an aggregate of \$5,000,000 in exploration and development. All wells drilled and all production obtained will be owned as follows:

Farmor .....	50.0%
Conuco Limited .....	12.5%
Third party .....	37.5%

The expenditures for income tax purposes will be retained by the third party. As consideration for its interest earned in the properties, the Company has agreed to issue to the third party 800,000 common shares at a rate of one share for each \$6.25 of the monies so expended. As at May 31, 1979 all shares had been issued under this agreement.

Details of the common share transactions for the five years ended March 31, 1979 and the two months ended May 31, 1979 are as follows:

	Shares	\$
Employee stock options exercised:		
Year ended March 31, 1975 .....	4,000	\$ 2,000
Year ended March 31, 1978 .....	130,000	52,000
Year ended March 31, 1979 .....	122,000	186,000
Issued under the drilling agreement:		
Year ended March 31, 1978 .....	455,400	712,000
Year ended March 31, 1979 .....	226,600	354,000
Two months ended May 31, 1979 .....	118,000	184,000
Preferred shares converted:		
Year ended March 31, 1979 .....	41,200	144,000
Two months ended May 31, 1979 .....	10,500	37,000
Issued to acquire Exalta Petroleum Ltd. (Note 3) .....	2	—
	<u>1,107,702</u>	<u>\$1,671,000</u>

As at May 31, 1979, 1,039,157 common shares were reserved as follows:

- (i) The 891,157 preferred shares are convertible into common shares at a rate of one common share for each preferred share during the first three years from October 31, 1977 and at reduced rates thereafter. The conversion privilege expires on the eighth anniversary of the date of issue.
- (ii) The Company has reserved 148,000 common shares for employee stock option agreements. These options become exercisable at varying times at prices ranging from \$1.50 to \$4.61 per share, and expire on termination of employment.

**10. EARNINGS (LOSS) PER SHARE:**

Earnings (loss) per share have been calculated using the weighted average method. Neither the conversion of preferred shares to common shares nor the exercise of employee stock options would have a dilutive effect on earnings (loss) per share.

**11. MERGER AND AMALGAMATION AGREEMENT:**

On May 2, 1979 the Company and certain of its affiliated companies reached an agreement in principle with Brinco Limited whereby the companies would be merged. This transaction would result in each shareholder of the Company receiving for three common or preferred shares of the Company, the following package of securities of Brinco Limited:

- (i) one 7% cumulative convertible redeemable retractable preferred share Series A with a par value of \$5.50 per share;
- (ii) one convertible retractable preferred share Series B with a par value of \$5.50 per share; and
- (iii) one common share without nominal or par value.

The completion of this transaction is conditional on the approval of the shareholders of the merging companies and certain regulatory authorities.

## **CABALLERO EXPLORATION LTD.**

### **ACCOUNTANTS' COMMENTS**

We have prepared the accompanying balance sheet as at May 31, 1979 from the records of Caballero Exploration Ltd. and from other information supplied to us by the company. In order to prepare this balance sheet we made a review, consisting primarily of enquiry, comparison and discussion, of such information. However, in accordance with the terms of our engagement we have not performed an audit and consequently do not express an opinion on this balance sheet.

Generally accepted accounting principles require that the financial statements of this company be prepared on a consolidated basis because consolidated financial statements recognize that, even though the company and its subsidiary are separate legal entities, the companies together constitute a single economic entity. As more fully described in note 1 to the financial statements, the accompanying financial statements are not prepared on a consolidated basis.

Calgary, Canada  
August 17, 1979

"Peat, Marwick, Mitchell & Co."  
Chartered Accountants



## CABALLERO EXPLORATION LTD.

### Balance Sheet May 31, 1979

(Unaudited)

#### ASSETS

Investment in share of Conuco Limited .....	\$ 5
Investment in shares of 91639 Canada Limited .....	3
Incorporation costs .....	<u>260</u>
	<u>\$268</u>

#### LIABILITIES

Due to C. A. Smith Resources Ltd. ....	\$260
Due to associated company .....	619
Shareholders' equity:	
Share capital:	
Common shares without nominal or par value, authorized 20,000 shares, issued 6 shares .....	\$311
Deficit .....	<u>(922)</u>
	<u>(611)</u>
	<u>\$268</u>

On behalf of the Board:

"James R. Kassube", Director

"Thomas N. Dirks", Director

### Notes to Balance Sheet May 31, 1979

#### 1. SIGNIFICANT ACCOUNTING POLICIES:

##### Investment in subsidiary company:

The Canadian Institute of Chartered Accountants has recommended that financial statements prepared for issuance to shareholders should be prepared on a consolidated basis except in the rare circumstances where this is not the more informative presentation. These financial statements, although they will be laid before the annual meeting of the shareholders, (a) have not been prepared on a consolidated basis because copies of the financial statements of the subsidiary are available to all shareholders and the shareholders have agreed that they do not require consolidated financial statements and (b) do not purport to present in accordance with generally accepted accounting principles the company's financial position, results of operations and changes in the financial position.

The company's investment in its subsidiary company is accounted for in the accompanying financial statements by the cost method under which such investment is carried at the respective costs thereof and the net earnings of the subsidiary company are reflected in the determination of the net earnings of the company only to the extent of dividends received from the subsidiary.

In all other respects, these financial statements are in accordance with generally accepted accounting principles.

#### 2. MERGER AND AMALGAMATION AGREEMENT:

On May 2, 1979, the company, three of its affiliated companies, namely Conuco Limited, 91639 Canada Limited (now Canada 91639 Limited) and Exalta Petroleum Ltd., reached an agreement in principle with Brinco Limited whereby all such companies will be merged. As part of this transaction the company will enter into a statutory amalgamation, under the laws of the Province of Alberta, with its three affiliates. The completion of this transaction is conditional on the approval of the shareholders of the merging companies and certain regulatory authorities.

#### 3. SUBSEQUENT EVENT:

On August 13, 1979 the company disposed of its share of Conuco Limited.

**91639 CANADA LIMITED**

**ACCOUNTANTS' COMMENTS**

We have prepared the accompanying balance sheet as at May 31, 1979 from the records of 91639 Canada Limited and from other information supplied to us by the company. In order to prepare this balance sheet we made a review consisting primarily of enquiry, comparison and discussion, of such information. However, in accordance with the terms of our engagement we have not performed an audit and consequently do not express an opinion on this balance sheet.

Generally accepted accounting principles require that the financial statements of this company be prepared on a consolidated basis because consolidated financial statements recognize that, even though the company and its subsidiary are separate legal entities, the companies together constitute a single economic entity. As more fully described in note 1 to the financial statements, the accompanying financial statements are not prepared on a consolidated basis.

Calgary, Canada  
August 17, 1979

"Peat, Marwick, Mitchell & Co."  
Chartered Accountants

## 91639 CANADA LIMITED

### Balance Sheet May 31, 1979

(Unaudited)

#### ASSETS

Investment in Conuco Limited (Note 3) .....	<u>\$3,871,366</u>
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#### SHAREHOLDERS' EQUITY

##### Capital stock:

Preferred redeemable Series "A" shares  
without nominal or par value.

Authorized 1,000 shares;

Issued and redeemed 1 share .....	\$ —
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Common shares without nominal or par value.

Authorized an unlimited amount;

Issued 4 shares .....	4
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Less subscriptions receivable .....	(4)
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Contributed surplus (Note 3) .....	<u>3,871,366</u>
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	<u>\$3,871,366</u>
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On behalf of the Board:

"James R. Kassube", Director

"Thomas N. Dirks", Director

### Notes to Balance Sheet May 31, 1979

#### 1. SIGNIFICANT ACCOUNTING POLICIES:

##### Investment in subsidiary company:

The Canadian Institute of Chartered Accountants has recommended that financial statements prepared for issuance to shareholders should be prepared on a consolidated basis except in the rare circumstances where this is not the more informative presentation. These financial statements, although they will be laid before the annual meeting of the shareholders, (a) have not been prepared on a consolidated basis because copies of the financial statements of the subsidiaries are available to all shareholders and the shareholders have agreed that they do not require consolidated financial statements and (b) do not purport to present in accordance with generally accepted accounting principles the company's financial position, results of operations and changes in the financial position.

The company's investment in its subsidiary company is accounted for in the accompanying financial statements by the cost method under which such investment is carried at the respective cost thereof and the net earnings of the subsidiary company are reflected in the determination of the net earnings of the company only to the extent of dividends received from the subsidiary.

In all other respects, these financial statements are in accordance with generally accepted accounting principles.

#### 2. INCORPORATION:

The company was incorporated under the Canada Business Corporations Act on February 2, 1978 as Hierlihy Holdings Limited. By a special resolution, of the shareholders of the company on April 20, 1979, the company changed its name to 91639 Canada Limited. As the company had no operations during the period, statements of income, retained earnings, and changes in financial position have not been included.

#### 3. INVESTMENT IN CONUCO LIMITED:

Effective December 31, 1978, the company, under Section 85.1 of the Income Tax Act, purchased all of the common shares of Conuco Limited owned by Exalta Petroleums Ltd. in consideration for the issue of 1 Series "A" redeemable

preferred share of the company for \$1. The company subsequently redeemed its outstanding Series "A" redeemable preferred shares held by Exalta Petroleum Ltd. for \$1.

The carrying value of the investment in Conuco Limited amounted to \$3,871,366. This amount has been recorded as the cost of the investment by the company and accordingly the same amount has been credited to contributed surplus due to the same ownership of Exalta Petroleum Ltd. and the company.

**4. MERGER AND AMALGAMATION AGREEMENT:**

On May 2, 1979 the company, three of its affiliated companies, namely Conuco Limited, Caballero Exploration Ltd. and Exalta Petroleum Ltd. reached an agreement in principle with Brinco Limited whereby all such companies will be merged. As part of this transaction the company will enter into a statutory amalgamation, under the laws of the Province of Alberta, with its three affiliates. The completion of this transaction is conditional on the approval of the shareholders of the merging companies and certain regulatory authorities.

**5. SUBSEQUENT EVENT:**

On June 13, 1979, the name of the company was changed to Canada 91639 Limited. For the purposes of the merger (Note 4), on June 14, 1979 the company issued one redeemable non-voting preferred share with a par value of \$1.00 to Brinco Limited.



**BRINCO LIMITED AND SUBSIDIARIES**  
**PRO-FORMA COMBINED AND**  
**CONSOLIDATED BALANCE SHEET (UNAUDITED)**

(\$000's)

May 31, 1979

	Pro-Forma Combined (Note 1)	Adjustments (Note 2)	Pro-Forma Consolidated (Note 2)
<b>ASSETS</b>			
Current assets:			
Cash and short-term investments .....	\$ 43,290	\$ (2,018)	\$ 41,272
Accrued interest .....	1,334	—	1,334
Accounts receivable .....	4,567	—	4,567
Supplies and prepaid expenses .....	271	—	271
Total current assets .....	49,462	(2,018)	47,444
Investments:			
Coseka Resources Limited — at equity .....	10,464	—	10,464
Other .....	240	(222)	18
Total investments .....	10,704	(222)	10,482
Fixed assets .....	515	—	515
Other assets .....	692	—	692
Natural resource projects:			
Oil and gas .....	26,010	31,668	57,678
Abitibi asbestos .....	13,395	—	13,395
Labrador uranium .....	8,812	—	8,812
Other .....	126	—	126
Total projects .....	48,343	31,668	80,011
	<u>\$109,716</u>	<u>\$ 29,428</u>	<u>\$139,144</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities:			
Accounts payable and accrued liabilities .....	\$ 3,857	\$ —	\$ 3,857
Bank loan .....	990	—	990
Total current liabilities .....	4,847	—	4,847
Long-term debt .....	15,958	—	15,958
Deferred income taxes .....	2,755	—	2,755
Minority interest in subsidiary companies .....	4,905	(1,568)	3,337
Shareholders' equity:			
Preferred shares .....	3,119	20,519	23,638
Common shares .....	44,616	11,672	56,288
Contributed surplus .....	652	(652)	—
Retained earnings .....	32,864	(543)	32,321
	<u>81,251</u>	<u>30,996</u>	<u>112,247</u>
	<u>\$109,716</u>	<u>\$ 29,428</u>	<u>\$139,144</u>

On behalf of the Board:

"H. R. Snyder", Director

"R. B. Dale-Harris", Director

See accompanying notes.

**BRINCO LIMITED AND SUBSIDIARIES**  
**PRO-FORMA COMBINED STATEMENTS OF**  
**RETAINED EARNINGS (UNAUDITED)**

(\$000's)

	Two months ended May 31, 1979 (Note 3)	Year ended March 31, 1979 (Note 3)
Pro-forma combined retained earnings, beginning of period .....	\$32,834	\$68,734
Pro-forma combined net earnings (loss) for the period .....	<u>73</u>	<u>(350)</u>
	32,907	68,384
Transfer of retained earnings to paid up capital .....	—	(35,400)
Dividends on Conuco 4% cumulative preferred shares .....	(31)	(128)
Expenses relating to Conuco capital reorganization .....	<u>(12)</u>	<u>( 22)</u>
Pro-forma combined retained earnings, end of period .....	<u>\$32,864</u>	<u>\$32,834</u>

*See accompanying notes.*

# BRINCO LIMITED AND SUBSIDIARIES

## PRO-FORMA COMBINED STATEMENTS OF EARNINGS (UNAUDITED)

(\$000's)

	Two months ended May 31, 1979 (Note 3)	Year ended March 31, 1979 (Note 3)
Income:		
Income from short-term investments .....	\$ 758	\$4,082
Oil and gas sales .....	503	1,365
Other income .....	66	465
	<u>1,327</u>	<u>5,912</u>
Expenses:		
Production .....	153	429
Exploration expenditures and other costs related to natural resources .....	235	2,435
Administrative .....	516	2,686
Interest on indebtedness .....	236	436
Depletion .....	196	580
Depreciation and amortization .....	49	212
Provision for loss in value of investment .....	—	150
	<u>1,385</u>	<u>6,928</u>
Pro-forma combined loss before items set out separately below .....	(58)	(1,016)
Income taxes:		
Deferred .....	98	313
Current .....	(23)	(98)
	<u>75</u>	<u>215</u>
	(133)	(1,231)
Equity in net income of Coseka Resources Limited .....	<u>105</u>	<u>806</u>
	(28)	(425)
Extraordinary item:		
Reduction in income taxes .....	<u>87</u>	<u>8</u>
	59	(417)
Minority interest in loss of subsidiary .....	<u>14</u>	<u>67</u>
Pro-forma combined net earnings (loss) for the period .....	<u>\$ 73</u>	<u>\$ (350)</u>
Pro-forma combined earnings per share (Note 4):		
Pro-forma combined loss per share before extraordinary item .....	<u>(.9¢)</u>	<u>(7.0¢)</u>
Pro-forma combined net loss per share .....	<u>(.4¢)</u>	<u>(7.0¢)</u>

See accompanying notes.

**BRINCO LIMITED AND SUBSIDIARIES**  
**PRO-FORMA COMBINED STATEMENT OF CHANGES IN**  
**FINANCIAL POSITION (UNAUDITED)**

(\$000's)

	Two months ended May 31, 1979 (Note 3)	Year ended March 31, 1979 (Note 3)
<b>Source of Funds:</b>		
Combined net loss before equity in net income of Coseka Resources Limited, extraordinary item and minority interest in loss of subsidiary .....	\$ 133	\$ 1,231
Items not affecting working capital during the period:		
Depreciation and amortization .....	49	212
Depletion .....	196	580
Provision for loss in value of investment .....	—	150
Deferred income taxes .....	98	313
Funds provided from operations .....	210	24
Proceeds from issue of long term debt .....	930	5,899
Contribution by shareholders .....	—	652
Proceeds on disposal of oil and gas properties and other assets ....	17	847
Proceeds from issue of common shares .....	184	672
Total funds provided .....	1,341	8,094
<b>Use of Funds:</b>		
Natural resource project expenditures:		
Oil and gas .....	248	3,406
Labrador uranium .....	267	1,884
Abitibi asbestos and other .....	14	198
Purchase of fixed assets .....	40	103
Investments in common shares of other companies .....	225	—
Reduction of long term debt .....	1,001	2,067
Dividends on 4% cumulative preferred shares of Conuco .....	31	128
Purchase of subsidiaries of Conuco — net of working capital acquired .....	—	2,858
Total funds used .....	1,826	10,644
Decrease in working capital .....	485	2,550
Working capital, beginning of period .....	45,100	47,650
Working capital, end of period .....	<u>\$44,615</u>	<u>\$45,100</u>

*See accompanying notes.*



## **BRINCO LIMITED AND SUBSIDIARIES**

### **NOTES TO THE PRO-FORMA COMBINED FINANCIAL STATEMENTS AND TO THE PRO-FORMA CONSOLIDATED BALANCE SHEET (UNAUDITED)**

1. The pro-forma combined balance sheet aggregates, without material adjustment, the consolidated balance sheets of Brinco and Conuco as at May 31, 1979.
2. The pro-forma consolidated balance sheet is based on the combined consolidated balance sheet referred to in note 1, adjusted to give effect to the following assumptions and transactions as if they had been consummated on May 31, 1979:
  - (i) the redemption of all the 1,568,185 Exalta Preferred Shares for \$1.00 each,
  - (ii) the creation of 10,000,000 Brinco preferred shares with a par value of \$5.50 each, issuable in series,
  - (iii) the issue of 2,148,928 common shares and 2,148,928 Series A, 7% cumulative, convertible, redeemable, retractable preferred shares and 2,148,928 Series B convertible, retractable preferred shares,
  - (iv) the valuation of the common shares issued to Conuco shareholders at \$7.125 each, being the closing price of Brinco common shares on May 2, 1979 — the last day preceding the announcement of the merger; the valuation of the preferred shares Series A and the preferred shares Series B issued to Conuco shareholders at \$5.50 each, being the par value thereof,
  - (v) under the purchase method of accounting, the allocation to oil and gas properties of \$31,668,000 being the excess of the purchase consideration over the shareholders' equity of Conuco as shown by its consolidated balance sheet at May 31, 1979, and
  - (vi) the payment of the estimated expenses of the proposed merger of \$450,000.
3. The combined consolidated statements of earnings, retained earnings and changes in financial position aggregate, without material adjustment, the consolidated results of operations and changes in the financial position of Brinco and Conuco for the year ended March 31, 1979 and the two months ended May 31, 1979.

No adjustment has been made to reflect on a pro-forma basis the increased charges to future earnings which will arise as a result of the amortization of \$31,668,000 allocated to oil and gas properties (see note 2) or to reflect other additional charges or savings which may arise as a result of the combination of the operations of Brinco and Conuco.
4. The pro-forma combined earnings per common share are based on the assumed weighted average number of Brinco common shares outstanding during each applicable period after giving effect to the exchange of Brinco common shares for Conuco shares on the basis described above and after providing for the dividend requirement of the preferred shares Series A. The fully diluted earnings per common share on a pro-forma basis would not be significantly different from the pro-forma basic earnings per common share.
5. These combined financial statements and pro-forma consolidated balance sheet should be read in conjunction with applicable portions of the notes to the consolidated financial statements of Brinco and Conuco appearing on pages 71 to 74 and 79 to 82 of this Information Booklet.
6. In connection with the merger, reflected in the pro-forma consolidated balance sheet, Brinco intends to furnish certain undertakings to Her Majesty the Queen in Right of Canada details of which are set out under the heading "Approval under the Foreign Investment Review Act" on page 15 of this Information Booklet.

**McLEOD  
YOUNG  
WEIR** LIMITED

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Telephone (416) 863-7411 Telex 065-24250

August 21, 1979

**To the Holders of Common Shares of Brinco Limited and the  
Convertible Preferred Shares and Common Shares of Conuco Limited**

We have been retained by Brinco Limited ("Brinco") and Conuco Limited ("Conuco") to furnish an opinion from a financial point of view on the proposed merger of the two companies. We have considered both the means of accomplishing this and the appropriate ratio between the shares of Brinco and the shares of Conuco on which the merger is to be based.

We have acted as financial advisor to Brinco in connection with the proposed merger and have made a business valuation of Brinco as of April 30, 1979. We concluded that the value of Brinco's undertaking, property and assets as at that date, expressed as a value per common share, was in the range of \$8.25 to \$11.50. In preparing our valuation, we relied upon information provided by management of Brinco and public sources, as well as relevant industry and investment data. As an investment firm, we are not qualified to opine on the geological and geophysical data on which Brinco's reserve estimates and production profiles were developed. Accordingly, we accepted the reserve estimates and production profile data on Brinco's mining projects that were made available to us by Brinco. Although we have not undertaken a valuation of Conuco, we have examined the past trading prices of Conuco's common shares as well as the findings of two independent consultants' reports on the reserves of Conuco (a report as of May 31, 1979 by D&S Petroleum Consultants (1974) Ltd. and a report as of March 31, 1979 by McDaniel Consultants (1965) Ltd.).

In arriving at our range of values for the Brinco common shares, we did a separate review of each of the following assets of Brinco:

- (1) working capital, long term advances and fixed assets;
- (2) 25% interest in Coseka Resources Limited ("Coseka");
- (3) 60% interest in the Kitts-Michelin Uranium Project ("Kitts-Michelin");
- (4) 60% interest in Abitibi Asbestos Mining Company Limited ("Abitibi Asbestos");  
and
- (5) other mining exploration programmes.

Working capital, long term advances and fixed assets were valued at the book value figures budgeted by Brinco's management as at December 31, 1979. These figures indicate no material changes from the actual audited figures as at December 31, 1978.

The 25% interest in Coseka was attributed a value in excess of the prevailing market value of the shares of Coseka at the time of our valuation. However the amount attributed to the interest was less than the underlying values derived from reserve evaluations proposed by the management of Coseka and confirmed, according to our understanding, by independent oil and gas engineers.

The valuation of the Kitts-Michelin project was based upon a present worth of estimated future after-tax cash flows. At the time of preparing our valuation, we were aware that Brinco was in the final negotiation stages of a development contract with a user-utility and assumed the development of the reserves would be carried out



accordingly. In arriving at our estimated value, we took into account certain key variables such as the extent of recoverable reserves (including the potential development of possible reserves at Michelin and Melody Hill) and annual sales volume of uranium, the selling price of uranium and discount factors on future cash flows of 15% and 20%. The ranges in value arrived at in utilizing the extremes of each of these variables was further refined to take into account certain probability factors relating to each of the variables.

The value of Brinco's 60% interest in Abitibi Asbestos was estimated at a range of values, the lower end of which was calculated on the basis of invested capital at the time of our report while the higher end was determined on the basis of present worth at a 15% discount factor of estimated future after-tax cash flows assuming commercial operations commenced in 1984.

Other mining exploration programmes were valued at the cumulative amount of exploration and development expenditures on projects of current emphasis.

Our valuation of Brinco did not take into account any dilutionary effects resulting from the issue of Brinco shares pursuant to the proposed merger with Conuco nor the addition of the Conuco assets and undertakings. However, based upon the valuations made by two independent oil and gas engineers of Conuco's reserves, it is our opinion that the value per Brinco common share, after giving effect to the proposed merger, would not be significantly adversely affected.

It is our opinion that the proposed merger of Brinco and Conuco is in the best interests of the holders of the common shares of Brinco and of the convertible preferred and common shares of Conuco by virtue of producing a stronger and more diversified continuing organization with greater improved potential for growth in earnings and assets. In our opinion, the proposed plan of merger, which is the result of considerable planning and study by Brinco, Conuco and their professional advisors, is satisfactory and suitable.

It is also our opinion that the proposed securities package being offered by Brinco — namely, one common share of Brinco, one Brinco preferred share Series A and one Brinco preferred share Series B for every three Conuco shares — is fair and equitable to the shareholders of Conuco, based on our valuation of Brinco and the consultants' reports with respect to Conuco's reserves referred to above. In addition, based upon the prevailing market price of the Brinco common shares and our views as to the likely market values for the Brinco preferred shares Series A and the Brinco preferred shares Series B (in each case, their par value), it is our opinion that the market value of the proposed securities package being offered by Brinco, expressed as an amount per Conuco share, exceeds the current market price of Conuco's common shares and compares favourably with the historical market prices of Conuco's common shares.

Although the proposed merger will result in some immediate dilution to the Brinco shareholders, in our opinion this is more than compensated for by a number of factors. These include:

- (1) the added diversification of the merged company;
- (2) the increased potential for growth in earnings and assets of the merged company in the energy field; and
- (3) the opportunity to maximize the tax position of Brinco and its subsidiaries.

Yours very truly,  
MCLEOD YOUNG WEIR LIMITED

Per: "David W. Kerr"

## **APPENDIX**

### **BRINCO PREFERRED SHARES CONDITIONS**

#### **PART A — BRINCO PREFERRED SHARES CLASS PROVISIONS**

The ten million (10,000,000) preferred shares with a par value of \$5.50 each (the “Preferred Shares”) shall as a class have attached thereto the following terms and conditions (collectively the “Preferred Shares Class Provisions”):

##### **Interpretation**

1. (a) The following words and phrases wherever used in these Preferred Shares Class Provisions shall have the following meanings, unless there be something in the context inconsistent therewith:

“Act” means The Companies Act, Revised Statutes of Newfoundland 1970, Chapter 54, as the same may be from time to time amended, re-enacted or replaced.

“Common Shares” means the common shares without nominal or par value of the Company.

“directors” means the board of directors of the Company for the time being and reference without more to action by the directors shall mean action by the directors as a board or by any authorized committee thereof.

“Junior Shares” means the Common Shares and any other class of shares of the Company which ranks after or is subordinated to the Preferred Shares as to payment of dividends and/or as to return of capital.

(b) Words importing the singular number only shall include the plural and vice versa and words importing the masculine gender shall include the feminine gender and vice versa and words importing persons shall include firms, associations and corporations and vice versa.

##### **Issue in Series**

2. The Preferred Shares may at any time and from time to time be issued in one or more series, each series to consist of such number of shares as may, before issuance thereof, be determined by the directors.

##### **Directors’ Determination of Terms and Conditions Attaching to the Preferred Shares**

3. The directors may from time to time by resolution fix before issuance the designation, rights, privileges, preferences, restrictions and conditions to attach to the Preferred Shares of each series including, without limiting or restricting the generality of the foregoing, preferential dividends (if any), the rate, amount or method of calculation of such dividends, whether cumulative, non-cumulative or partially cumulative, the currency or currencies of payment and the date or dates and places of payment thereof; the restrictions, if any, respecting payment of dividends on any Junior Shares; the rights of the Company, if any, to redeem any Preferred Shares of such series, the consideration for and terms and conditions of any such redemption and the restrictions, if any, upon the reissue of any Preferred Shares of such series so redeemed; the terms and conditions of any redemption fund or sinking fund or similar fund providing for the redemption of Preferred Shares of such series; the rights of retraction, if any, vested in the holders of Preferred Shares of such series and the prices and other terms and conditions of any rights of retraction; voting rights (if any); conversion or exchange rights (if any) into other shares or securities of the Company and the terms and conditions of any other provisions attaching to the Preferred Shares of such series.

##### **Rateable Participation in Respect of Cumulative Dividends and Return of Capital**

4. When any fixed cumulative dividends or amounts payable on a return of capital are not paid in full, the cumulative Preferred Shares of all series shall participate rateably with all shares, if any, ranking on a parity with the Preferred Shares with respect to payment of dividends, in respect of such dividends (but only to the extent of and in those cases where a series of Preferred Shares



bears cumulative preferential dividends) including accumulated dividends, if any, in accordance with the sums which would be payable on the cumulative Preferred Shares and such other shares if all such dividends were declared and to be paid in full, and Preferred Shares shall participate equally and rateably with all shares, if any, ranking on a parity with the Preferred Shares with respect to return of capital in respect of any return of capital in accordance with the sums which would be payable on the Preferred Shares and such other shares on such return of capital if all sums so payable were paid in full in accordance with their terms.

### **Preferences**

5. The Preferred Shares shall, with respect to the payment of accumulated dividends, be entitled to preference over Junior Shares ranking junior to the Preferred Shares as to payment of dividends, and, with respect to the distribution of assets in the event of the liquidation, dissolution or winding up of the Company or other distribution of assets of the Company among shareholders for the purpose of winding up its affairs, whether voluntary or involuntary, be entitled to preference over the Junior Shares ranking junior to the Preferred Shares as to return of capital. Subject as aforesaid and to clause 6 of these Preferred Shares Class Provisions, the Preferred Shares may also be given such other preferences over the Junior Shares as may be determined in the case of each series of Preferred Shares authorized to be issued.

### **Parity**

6. The Preferred Shares of each series shall rank on a parity with the Preferred Shares of every other series with respect to the payment of dividends (but only to the extent of and in those cases where a series of Preferred Shares bears dividends) and in the distribution of assets of the Company among shareholders for the purpose of winding-up its affairs, whether voluntary or involuntary; provided, however, that in case such assets are insufficient to pay in full the amount due on all the Preferred Shares then outstanding, then such assets shall be applied firstly, to the payment equally and rateably of an amount equal to the capital paid up on the Preferred Shares of each series and the premium thereon, if any, secondly, pro rata to the payment of accrued and unpaid cumulative dividends (if any) and thirdly, pro rata to the payment of declared and unpaid non-cumulative dividends (if any), as the case may be, in accordance with the provisions of clause 5 of these Preferred Shares Class Provisions mutatis mutandis.

### **Creation and Issue of Additional Preferred Shares**

7. Nothing herein contained shall require or be deemed to require any sanction from the holders of the Preferred Shares or any of them for the creation of additional preferred shares (other than preferred shares which by their terms rank prior to the Preferred Shares in any respect), provided:

- (a) that the conditions, if any, set forth in any resolution of the directors with respect to any series of the Preferred Shares shall have been complied with; and
- (b) that the Company may not, without the sanction of the holders of the Preferred Shares given as hereinafter specified, cause any such additional preferred shares to rank prior to the Preferred Shares in any respect or, unless such additional preferred shares shall be Preferred Shares, to rank on a parity with the Preferred Shares in all respects,

and it is a term of the issue of any of the Preferred Shares that the holders thereof consent to the creation of any such additional preferred shares.

### **No Pre-Emptive Right**

8. The holders of the Preferred Shares shall not as such be entitled as of right to subscribe for or purchase or receive any part of any issue of shares or other securities of the Company now or hereafter authorized otherwise than in accordance with the conversion, exchange or other rights if any, which may from time to time attach to any series of the Preferred Shares.

## **Redemption**

9. Subject to the provisions of the Act and to the provisions relating to the Preferred Shares of any series, the Company may, upon giving notice as hereinafter provided, redeem at any time the whole or from time to time any part of the then outstanding Preferred Shares of any series on payment for each share to be redeemed of the par value thereof together with (i) such premium (if any) determined for that purpose in respect of such series plus, (ii) in the case of cumulative Preferred Shares, an amount equal to all unpaid cumulative dividends (which for such purpose, shall be calculated as if such dividends were accruing from day to day for the period from the expiration of the last period for which dividends have been paid up to and including the date of such redemption), and (iii) in the case of non-cumulative Preferred Shares, all declared and unpaid non-cumulative dividends. In case the Company desires to redeem part only of the Preferred Shares of any series, the shares of such series to be redeemed shall be selected by lot in such manner as the directors may determine or, if the directors so determine, may be redeemed pro rata disregarding fractions.

## **Procedure on Redemption**

10. In any case of redemption of Preferred Shares of any series under the provisions of clause 9 of these Preferred Shares Class Provisions, the Company shall, at least thirty (30) days before the date specified for redemption, mail to each person who at the date of mailing is a registered holder of Preferred Shares of such series to be redeemed a notice in writing of the intention of the Company to redeem such last-mentioned shares. Such notice shall be mailed in an envelope, postage prepaid, addressed to each such shareholder at his address as it appears on the books of the Company or in the event of the address of any such shareholder not so appearing then to the last known address of such shareholder; provided, however, that accidental failure or omission to give any such notice to one (1) or more of such holders shall not affect the validity of such redemption. Such notice shall set out the redemption price and the date on which redemption is to take place and if part only of the Preferred Shares of such series held by the person to whom it is addressed is to be redeemed the number thereof so to be redeemed. On or after the date so specified for redemption the Company shall pay or cause to be paid to or to the order of the registered holders of the Preferred Shares of such series to be redeemed the redemption price thereof on presentation and surrender, at the registered office of the Company or any other place within Canada designated in such notice, of the certificates representing the Preferred Shares of such series so called for redemption. Such payment shall be made by cheques payable at par at any branch of the Company's bankers for the time being in Canada. If a part only of the Preferred Shares of such series represented by any certificate shall be redeemed, a new certificate for the balance shall be issued at the expense of the Company. From and after the date specified for redemption in any such notice the Preferred Shares of such series called for redemption shall cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the redemption price shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected. The Company may include in any such notice a statement that the moneys required for the payment of the redemption price have been deposited or will be deposited on or before the opening of business on the date specified for redemption or a specified date prior to such date with a specified chartered bank or a specified trust company in Canada in trust for the respective holders of such shares to be paid to them respectively upon surrender to such bank or trust company of the certificate or certificates representing same, or that the Company has set aside such moneys or will be setting aside such moneys on or before the opening of business on the date specified for redemption or a specified date prior to such date in trust for the respective holders of such shares to be paid to them respectively upon surrender to the Company of the certificate or certificates representing the same and upon (i) the giving of such notice, and (ii) such deposit being made or such moneys being set aside, whichever is the later, such shares shall be deemed to be redeemed and all rights of the holders of such shares as against the Company shall be limited to receiving the



amount so deposited or set aside without interest and such holders shall cease to be entitled to dividends or any other participation in the assets of the Company and shall not be entitled to exercise any other rights as holders of the Preferred Shares so redeemed.

#### **Amendments**

11. The provisions of clauses 1 to 12, inclusive hereof, or any of them, may be repealed, altered, modified, amended or amplified only with the sanction of the holders of the Preferred Shares given as hereinafter specified in addition to any other approval required by the Act.

#### **Sanction by Holders of Preferred Shares**

12. The sanction of holders of the Preferred Shares or of any series of the Preferred Shares as to any and all matters referred to herein or as to any change adversely affecting the rights or privileges of the Preferred Shares or of such series may, subject to the provisions (if any) applicable to such series, be given by resolution passed at a meeting of such holders duly called for such purpose and held upon at least twenty-one (21) days' notice at which the holders of at least a majority of the outstanding Preferred Shares or Preferred Shares of such series, as the case may be, are present or represented by proxy and carried by the affirmative vote of the holders of not less than sixty-six and two-thirds per cent ( $66\frac{2}{3}\%$ ) of the Preferred Shares or Preferred Shares of such series, as the case may be, represented and voted at such meeting cast on a poll. If at any such meeting the holders of a majority of the outstanding Preferred Shares or Preferred Shares of such series, as the case may be, are not present or represented by proxy within half an hour after the time appointed for the meeting then the meeting shall be adjourned to such date being not less than fourteen (14) days later and to such time and place as may be appointed by the chairman and at least ten (10) days' notice shall be given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called. At such adjourned meeting the holders of Preferred Shares or Preferred Shares of such series, as the case may be, present or represented by proxy shall constitute a quorum and may transact the business for which the meeting was originally convened and a resolution passed thereat by the affirmative vote of the holders of not less than sixty-six and two-thirds per cent ( $66\frac{2}{3}\%$ ) of the Preferred Shares or Preferred Shares of such series, as the case may be, represented and voted at such adjourned meeting cast on a poll shall constitute the sanction of the holders of Preferred Shares or Preferred Shares of such series referred to in this clause 12. The formalities to be observed with respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those which may from time to time be prescribed in the Memorandum or Articles of Association of the Company with respect to meetings of shareholders. On every poll taken at every such meeting or adjourned meeting every holder of Preferred Shares shall be entitled to one (1) vote in respect of each Preferred Share held.

## **BRINCO PREFERRED SHARES SERIES PROVISIONS**

### **PART B — Preferred Shares Series A**

The first series of Preferred Shares is designated as 7% cumulative convertible redeemable retractable preferred shares series A (the "Preferred Shares Series A") and, in addition to the rights, privileges, preferences, conditions and restrictions attached to the Preferred Shares as a class, shall have attached thereto the following rights, privileges, preferences, conditions and restrictions (collectively the "Preferred Shares Series A Series Provisions"):

#### **Interpretation**

1. (a) The following words and phrases whenever used in these Preferred Shares Series A Series Provisions shall have the following meanings, unless there be something in the context inconsistent therewith:

"Additional Equity Shares" means any Equity Shares issued after May 1, 1979 (including Class A Shares) other than (a) Common Shares issued upon conversions of Preferred Shares Series A or Preferred Shares Series B; (b) Equity Shares issued upon exercise of stock options heretofore or hereafter granted to officers or employees of the Company or of any subsidiary or of any affiliate designated as such by the directors; and (c) Equity Shares issued to any such officers or employees or to a trustee on their behalf pursuant to any stock purchase or analogous plan; provided that a subdivision or consolidation of Equity Shares or a reclassification or change of Equity Shares shall not constitute an issue of Additional Equity Shares.

"Adjusted Consolidated Net Earnings Available for Dividends" means all the gross earnings and income of the Company and all its subsidiaries (if any) from all sources, less all administrative, selling and operating charges and expenses (except such charges and expenses as are chargeable to capital account in accordance with generally accepted accounting principles) of every character of the Company and all its subsidiaries (excluding extraordinary gains or losses on the disposal of investments and fixed assets) arrived at on a consolidated basis in accordance with generally accepted accounting principles; if, at the time of determining Adjusted Consolidated Net Earnings Available for Dividends for any past period in connection with a proposed issue of Preferred Shares or any other shares ranking in priority to or on a parity with the Preferred Shares Series A, the Company or any subsidiary has acquired, is in the process of acquiring, or proposes to acquire, any property or any shares of any other company (sufficient with any shares of such company already owned by the Company or a subsidiary to result in such other company becoming a subsidiary) and if the net proceeds of the then proposed issue of shares are to be applied directly or indirectly towards the cost of or in reimbursement of the cost of the acquisition of such property or shares (as to all of which a resolution of the board of directors shall be conclusive and binding) then the net earnings or net losses of such property or such other company (calculated in accordance with the provisions herein contained respecting Adjusted Consolidated Net Earnings Available for Dividends) for the whole of the period for which Adjusted Consolidated Net Earnings Available for Dividends are to be computed shall, if in the opinion of the Company's auditors the Company has access to data sufficient to enable such auditors to determine such net earnings or net losses, be treated as net earnings or net losses, as the case may be, in the computation of Adjusted Consolidated Net Earnings Available for Dividends. As at the time of determining Adjusted Consolidated Net Earnings Available for Dividends for any past period in connection with a proposed issue of shares and if the net proceeds of the then proposed issue of shares are to be applied in whole or in part to repay indebtedness of the Company or any subsidiary then the interest paid by the Company or the subsidiary, as the case may be, during the period of time in question with respect to the indebtedness to be repaid shall not be deducted as an expense in the computation of Adjusted Consolidated Net Earnings Available for Dividends and taxes paid or payable shall be appropriately adjusted.



"Amalgamation" means the amalgamation of Conuco Limited, Caballero Exploration Ltd., Canada 91639 Limited and Exalta Petroleums Ltd. pursuant to the terms of a Merger and Amalgamation Agreement made as of the 13th day of June, 1979 between the Company and the foregoing companies.

"business day" shall be a day other than a Saturday, a Sunday or any other day that is treated as a holiday in the municipality where the Company's principal office in Canada is situated.

"Class A Shares" means the Common Shares held by the Company and which are not outstanding and which have been designated by legislation of the Province of Newfoundland as Class A Shares of the Company for so long as such shares are held by the Company and are not outstanding.

"close of business" means the normal closing hour of the principal office in the City of Toronto of the transfer agent for the Preferred Shares Series A.

"Conversion Basis" at any time means the number of Common Shares into which one (1) Preferred Share Series A shall be convertible at such time in accordance with the provisions of clause 3 hereof.

"Effective Date of the Amalgamation" means the date of issuance of the Certificate of Amalgamation by the Registrar of Companies under and pursuant to The Companies Act (Alberta) in respect of the Amalgamation.

"Equity Shares" means the Common Shares as said shares were constituted on May 1, 1979 and shares of any other class or other securities, as the case may be, resulting from the re-classification of such Common Shares as provided in clause 3 hereof.

"Equivalent Conversion Price" at any time means the quotient obtained by dividing the sum of \$5.50 by the Conversion Basis in effect at such time.

"Market Price":

- (i) of the Common Shares at any date, means the weighted average of the closing board lot trading prices per share of the Common Shares on The Toronto Stock Exchange (or, if the Common Shares are not listed on The Toronto Stock Exchange, on such stock exchange on which such shares are listed as may be selected for the purpose by the directors) during the twenty (20) most recent trading days on which there have been board lot trades immediately prior to the fourth (4th) day preceding such date. In the event that the Common Shares are not listed on any stock exchange, the Market Price of the Common Shares shall be determined by the directors; and
- (ii) of the Preferred Shares Series A for the purposes of clause 6 hereof, means the weighted average as at the last day of any fiscal year of the Company of the closing board lot trading prices per share of the Preferred Share Series A on The Toronto Stock Exchange (or, if the Preferred Shares Series A are not listed on The Toronto Stock Exchange, on such stock exchange on which such shares are listed as may be selected for the purpose by the directors) during those trading days during the last completed fiscal year of the Company on which there have been board lot trades. In the event that the Preferred Shares Series A are not listed on any stock exchange, the Market Price of the Preferred Shares Series A shall be determined by the directors.

"Preferred Shares Series B" means the convertible retractable preferred shares series B with a par value of \$5.50 each of the Company, being the second series of Preferred Shares.

"Shareholders' Equity" means at any given time an amount equal to the aggregate of retained earnings or deficit and contributed surplus of the Company and its subsidiaries and the amount paid-up on issued and outstanding Preferred Shares, shares of the Company ranking on a parity with or junior to the Preferred Shares and Common Shares of the Company, arrived at on a consolidated basis in accordance with generally accepted accounting principles.

"subsidiary company" or "subsidiary" means any corporation or company of which more than fifty per cent (50%) of the outstanding shares carrying voting rights at all times (provided that the ownership of such shares confers the right at all times to elect at least a majority of the board of directors of such corporation or company) are for the time being owned by or held for the Company and/or any other corporation or company in like relation to the Company and includes any corporation or company in like relation to a subsidiary and, in addition, means any other corporation or company the revenue and expense accounts of which may, from time to time, be consolidated by the Company in the revenue and expense accounts forming part of annual financial statements of the Company in accordance with generally accepted accounting principles.

(b) Clause 1 of the Preferred Shares Class Provisions entitled "Interpretation" is incorporated herein.

(c) In the event that any date on which any dividends on the Preferred Shares Series A are payable by the Company, or on or by which any other action is required to be taken by the Company under these Preferred Shares Series A Series Provisions is not a business day, then such dividend shall be payable, or such other action shall be required to be taken, on or by the next succeeding day which is a business day.

## **Dividends**

2. The holders of the Preferred Shares Series A shall be entitled to receive, and the Company shall pay thereon, as and when declared by the directors out of the moneys of the Company properly applicable to the payment of dividends, fixed cumulative preferential cash dividends at the rate of 7% per annum on the amounts from time to time paid up thereon, payable quarterly on the last day of March, June, September and December in each year. The initial dividend, if declared, will be payable on December 31, 1979. If on any dividend payment date the dividend payable on such date is not paid in full on all of the Preferred Shares Series A then issued and outstanding, such dividend or the unpaid part thereof shall be paid on a subsequent date or dates to be determined by the directors on which the Company shall have sufficient moneys properly applicable, under the provisions of any applicable law, to the payment of same. Fixed cumulative preferential cash dividends on the Preferred Shares Series A shall accrue from the Effective Date of the Amalgamation. The holders of the Preferred Shares Series A shall not be entitled to any dividend other than or in excess of the cumulative preferential cash dividends hereinbefore provided. Cheques of the Company payable in lawful money of Canada at par at any branch of the Company's bankers for the time being in Canada shall be issued in respect of the said dividends (less any tax required to be deducted) and payment thereof shall satisfy such dividends.

## **Conversion**

3. (a) **Right of Conversion.** The holders of the Preferred Shares Series A shall have the right, at any time and from time to time, up to the close of business on the Retraction Date (as defined in clause 4 of these Preferred Shares Series A Series Provisions), subject as hereinafter provided and to any adjustment to the Conversion Basis as hereinafter provided, to convert all or any of their Preferred Shares Series A into Common Shares, on the basis of 0.55 of a Common Share for each Preferred Share Series A converted. The Company shall send a notice to each holder of Preferred Shares Series A not earlier than one hundred and sixty (160) days and not later than sixty (60) days prior to the Retraction Date advising such holder of the expiration of the right of conversion. Such notice shall be sent in the manner provided for in clause 10 of the Preferred Share Class Provisions.
- (b) **Conversion Procedure.** The conversion right herein provided for may be exercised by notice in writing given to the transfer agent for the time being of the Company for the Preferred Shares Series A at its principal office in the City of Toronto, or at any other city or cities as the Company may from time to time designate, accompanied by the certificate or certificates representing the Preferred Shares Series A in respect of which the holder



thereof desires to exercise such right of conversion. Such notice shall be signed by such holder or his duly authorized attorney and shall specify the number of Preferred Shares Series A which the holder desires to have converted. The certificate or certificates for such shares need not be endorsed, except in the circumstances hereinafter contemplated, and the certificates for Common Shares resulting from conversion shall be issued in the name of the registered holder of the Preferred Shares Series A converted or in such name or names as such registered holder may direct in writing (either in the notice referred to above or otherwise), provided that such registered holder shall pay any applicable security transfer taxes. If the certificates for Common Shares resulting from conversion are to be issued in a name other than that of the registered holder of the Preferred Shares Series A, the transfer form on the back of the certificate(s) representing such Preferred Shares Series A shall be endorsed by the registered holder thereof or his duly authorized attorney, with signature guaranteed in a manner satisfactory to the Company's transfer agent for the Preferred Shares Series A. If less than all the Preferred Shares Series A represented by any certificate or certificates accompanying any such notice are to be converted, the holder shall be entitled to receive, at the expense of the Company, a new certificate representing the Preferred Shares Series A comprised in the certificate or certificates surrendered as aforesaid which are not to be converted.

- (c) **Effect of Redemption.** In the case of any Preferred Shares Series A which may be called for redemption, the right of conversion thereof shall, notwithstanding anything herein contained, cease and terminate at the close of business on the business day immediately preceding the date fixed for redemption, provided, however, that if the Company shall fail to redeem such Preferred Shares Series A in accordance with the notice of redemption the right of conversion shall thereupon be restored.
- (d) **Effective Date of Conversion.** Subject as hereinafter provided in this clause 3, Preferred Shares Series A shall be deemed to have been converted into Common Shares on the respective dates of surrender of certificates representing the Preferred Shares Series A to be converted accompanied by notice in writing as provided in subclause 3(b) hereof, notwithstanding any delay in the delivery of certificates representing the Common Shares into which such Preferred Shares Series A have been converted.
- (e) **Adjustment of Conversion Basis.**
  - (i) If the Company shall declare a dividend or make a distribution on its outstanding Common Shares payable in Common Shares, or shall subdivide its outstanding Common Shares into a greater number of shares, or shall consolidate its outstanding Common Shares into a smaller number of shares (any such event being herein called a "Common Share Reorganization") then the Conversion Basis shall be proportionately adjusted immediately after the record date at which the holders of Common Shares are determined for purposes of the Common Share Reorganization and any holder of Preferred Shares Series A who has not exercised his right of conversion prior to the effective date of such Common Share Reorganization shall be entitled to receive and shall accept, upon the exercise of such right at any time on such effective date or thereafter, in lieu of the number of Common Shares to which he was theretofore entitled upon conversion, the aggregate number of Common Shares of the Company that such holder would have been entitled to receive as a result of such Common Share Reorganization if, on the effective date thereof, he had been the registered holder of the number of Common Shares to which he was theretofore entitled upon conversion.
  - (ii) If there is a capital reorganization of the Company not covered by subclause 3(e)(i) hereof or a consolidation or merger or amalgamation of the Company with or into any other company including by way of a sale whereby all or substantially all of the Company's undertaking and assets would become the property of any other company (any of which is herein called a "Capital Reorganization"), any holder of Preferred Shares Series A who has not exercised his right of conversion prior to the effective date of

such Capital Reorganization shall be entitled to receive and shall accept, upon the exercise of such right at any time on the effective date or thereafter, in lieu of the number of Common Shares to which he was theretofore entitled upon conversion, the aggregate number of shares or other securities or property of the Company or of the company resulting from or purchasing under the Capital Reorganization, that such holder would have been entitled to receive as a result of such Capital Reorganization if, on the effective date thereof, he had been the registered holder of the number of Common Shares to which he was theretofore entitled upon conversion; provided that no such Capital Reorganization shall be carried into effect unless, in the opinion of the directors, all necessary steps shall have been taken to ensure that the holders of the Preferred Shares Series A shall thereafter be entitled to receive such number of shares or other securities or property of the Company or of the company resulting from or purchasing under the Capital Reorganization, subject to adjustment thereafter in accordance with provisions similar, as nearly as may be, to those contained in this clause 3.

- (iii) If the Company shall issue options, rights or warrants to holders of its outstanding Common Shares under which such holders are entitled to subscribe for or purchase Additional Equity Shares at a subscription or purchase price per share less than the Market Price in effect on the record date for such issue (any such event being herein called a "Rights Offering"), then the Conversion Basis shall be adjusted immediately after the record date at which the holders of Common Shares are determined for the purpose of the Rights Offering by dividing into \$5.50 the adjusted Equivalent Conversion Price determined by multiplying the Equivalent Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date plus a number determined by dividing the aggregate subscription price of the total number of Additional Equity Shares offered for subscription or purchase under the Rights Offering by the Market Price on such record date and of which the denominator shall be the total number of Common Shares outstanding on such record date plus the total number of Additional Equity Shares offered for subscription or purchase. The resulting quotient, adjusted to the nearest 1/100th, shall thereafter be the Conversion Basis until further adjusted as provided in this clause 3. If at the date of expiry of the options, rights or warrants less than all of them have been exercised so that less than all of the Equity Shares issuable with respect thereto have been issued, then the Conversion Basis shall be re-adjusted immediately after the date of expiry to the Conversion Basis which would have been in effect on such date of expiry if the only options, rights or warrants issued had been those that were exercised.
- (iv) If the Company shall at any time or from time to time in any manner issue or sell any shares or securities convertible into or exchangeable for Common Shares (such convertible or exchangeable shares or securities being herein called "Convertible Securities"), whether or not the rights to exchange or convert the same are immediately exercisable, and the price per share for which Common Shares are issuable upon such conversion or exchange (determined by dividing (a) the total amount received or receivable by the Company as consideration for the issue of such Convertible Securities plus the minimum aggregate amount of additional consideration, if any, payable to the Company upon the conversion or exchange of all such Convertible Securities, by (b) the total maximum number of Common Shares issuable upon the conversion or exchange of all such Convertible Securities) shall be less than the Market Price in effect immediately prior to the time of such issue or sale of Convertible Securities (any such event being herein called an "Issue of Convertible Securities"), then the Conversion Basis shall be adjusted immediately after such issue or sale by dividing into \$5.50 the adjusted Equivalent Conversion Price determined by multiplying the Equivalent Conversion Price in effect at such time by a fraction, of which the numerator shall be the total number of Common Shares outstanding at such date plus a number determined



by dividing the aggregate issue or sale price of the total number of Common Shares issuable upon the conversion or exchange of all such Convertible Securities by the Market Price on the date of such issue or sale and of which the denominator shall be the total number of Common Shares outstanding on the date of such issue or sale plus the total number of Common Shares issuable upon such conversion or exchange. The resulting quotient, adjusted to the nearest 1/100th, shall thereafter be the Conversion Basis until further adjusted as provided in this clause 3. If, at the date of expiry of any conversion or exchange rights of or appertaining to any Convertible Securities, less than all of the Convertible Securities have been converted or exchanged so that less than all of the Common Shares issuable with respect thereto have been issued, then the Conversion Basis shall be re-adjusted immediately after such date of expiry to the Conversion Basis which would have been in effect on such date of expiry if the only Convertible Securities issued or sold had been those that were converted or exchanged. For the purposes of this subclause 3(e)(iv), Convertible Securities shall be deemed to be issued on the date on which the Company enters into an enforceable agreement to issue such Convertible Securities.

- (v) If the Company shall at any time or from time to time issue or sell Additional Equity Shares, other than pursuant to the exercise of a conversion or exchange right attaching to a Convertible Security, at a price per share less than the Market Price in effect on the date of such issue or sale and such issue or sale does not constitute a Common Share Reorganization, a Capital Reorganization or a Rights Offering (any such event being herein called a "New Issue"), then the Conversion Basis shall be adjusted immediately after the date of such issue or sale by dividing into \$5.50 the adjusted Equivalent Conversion Price determined by multiplying the Equivalent Conversion Price in effect on the date of issue or sale by a fraction, of which the numerator shall be the total number of Common Shares outstanding on the date of issue or sale plus a number determined by dividing the aggregate of the subscription price of the total number of Additional Equity Shares so issued or sold by the Market Price on the date of issue or sale and of which the denominator shall be the total number of Common Shares outstanding on the date of such issue or sale plus the total number of Additional Equity Shares issued or sold. The resulting quotient, adjusted to the nearest 1/100th, shall thereafter be the Conversion Basis until further adjusted as provided in this clause 3. For the purposes of this subclause 3 (e) (v), Additional Equity Shares shall be deemed to be issued on the date on which the Company enters into an enforceable agreement to issue such Additional Equity Shares.
- (vi) If the Company shall issue or distribute to the holders of its outstanding Common Shares, shares of any class other than Common Shares, or options, rights or warrants, or evidences of indebtedness or any other assets (apart from cash) and such issuance or distribution does not constitute a Common Share Reorganization, a Capital Reorganization, a Rights Offering, an Issue of Convertible Securities or a New Issue (any such event being herein called a "Special Distribution"), then the Conversion Basis shall be adjusted immediately after the record date at which the holders of Common Shares are determined for purposes of the Special Distribution by dividing into \$5.50 the adjusted Equivalent Conversion Price determined by multiplying the Equivalent Conversion Price in effect on the record date by a fraction, of which the numerator shall be a number determined by multiplying the total number of Common Shares outstanding on such record date by the Market Price on such date and deducting from the amount so obtained the aggregate fair market value, as determined by the directors, of the shares, options, rights, warrants, evidences of indebtedness or other assets distributed in the Special Distribution and of which the denominator shall be the total number of Common Shares outstanding on such record date multiplied by the Market Price on such record date (provided that no such adjustment shall be made if the result

of such adjustment would be to decrease the Conversion Basis in effect immediately before such record date). The resulting quotient, adjusted to the nearest 1/100th, shall thereafter be the Conversion Basis until further adjusted as provided in this clause 3.

- (vii) If any re-classification or other change shall be made in the outstanding Common Shares, which re-classification or other change does not constitute a Common Share Reorganization or a Capital Reorganization, then the Conversion Basis shall be adjusted in such manner as the auditors of the Company determine to be appropriate.
- (f) **Conversion Adjustment Rules.** The following rules and procedures shall be applicable to Conversion Basis adjustments made pursuant to subclause 3 (e) hereof:
  - (i) any Common Shares (which for all purposes of this subsection (i) shall include Class A Shares) owned by or held for the account of the Company shall be deemed not to be outstanding but, for the purposes of this subsection (i), any Common Shares owned by a pension plan for employees of the Company or its subsidiaries shall not be considered to be owned by or held for the account of the Company;
  - (ii) in the case of any issue by the Company of Additional Equity Shares for cash, the consideration received by the Company therefor shall be deemed to be the amount of cash received by the Company for such Additional Equity Shares before deducting therefrom the amount of any commission, discount or other expenses which have been paid or incurred by the Company for any underwriting of, or otherwise in connection with, the issuance or sale of such Additional Equity Shares;
  - (iii) if the purchase price provided for in any Rights Offering referred to in subclause 3 (e) (iii) is decreased, or the rate at which any Convertible Securities referred to in subclause 3 (e) (iv) are convertible into or exchangeable for Common Shares is increased, the Conversion Basis shall forthwith be changed so as to increase the Conversion Basis to such Conversion Basis as would have obtained had the adjustment made upon the issuance of such Rights Offering or Convertible Securities been made upon the basis of such purchase price as so decreased or such rate as so increased, provided that the provisions of this subsection (iii) shall not apply to any such increase or decrease resulting from provisions in any such Rights Offering or Convertible Securities designed to prevent dilution if such increase or decrease shall not have been proportionately greater than the increase, if any, in the Conversion Basis to be made at the same time pursuant to the provisions of this clause 3;
  - (iv) no adjustment in the Conversion Basis shall be required unless a decrease of at least one per cent (1%) in the prevailing Equivalent Conversion Price would result, provided, however, that any adjustment which, except for the provisions of this subsection (iv) would otherwise have been required to be made, shall be carried forward and taken into account in any subsequent adjustment;
  - (v) if any question shall at any time arise with respect to adjustments in the Conversion Basis, such question shall be conclusively determined by the auditors of the Company and any such determination shall be binding upon the Company and all transfer agents and all shareholders of the Company;
  - (vi) forthwith after any adjustment in the Conversion Basis pursuant to the foregoing subclause 3 (e), the Company shall file with the transfer agent of the Company for the Preferred Shares Series A, a certificate certifying as to the amount of such adjustment and, in reasonable detail, the event requiring and the manner of computing such adjustment; the Company shall also at such time give written notice to the registered holders of Preferred Shares Series A of the Conversion Basis and the Equivalent Conversion Price following such adjustment and clause 10 of the Preferred Share Class Provisions with respect to the giving of notice of redemption shall apply mutatis mutandis to the giving of such notice; and



(vii) in the case of a New Issue for consideration other than cash, the adjustment required by subclause 3 (e) (v) hereof shall be based on the fair market value of such consideration, as determined by the directors.

- (g) **Entitlement to Dividends.** A holder of Preferred Shares Series A on the record date for any dividend declared payable on such share will be entitled to such dividend notwithstanding that such share is converted after such record date and before the payment date of such dividend, and the registered holder of any Common Share resulting from any conversion shall be entitled to rank equally with the registered holders of all other Common Shares in respect of all dividends declared payable to holders of Common Shares of record on any date after the date of conversion. Subject as aforesaid, no payment or adjustment will be made on account of any dividend, accrued or otherwise, on the Preferred Shares Series A converted or the Common Shares resulting from any conversion.
- (h) **Notice of Certain Events.** If the Company intends to fix a record date for any Common Share Reorganization (other than the subdivision of outstanding Common Shares into a greater number of shares or the consolidation of outstanding Common Shares into a smaller number of shares) or for any Capital Reorganization or for any Rights Offering or Special Distribution, the Company shall, not less than twenty-one (21) days prior to such record date, notify each registered holder of Preferred Shares Series A of such intention by written notice to the extent that such particulars have been determined at the time of giving the notice and the provisions of clause 10 of the Preferred Shares Class Provisions with respect to the giving of notice of redemption shall apply mutatis mutandis to the giving of such notice.
- (i) **Avoidance of Fractional Shares.** In any case where a fraction of a Common Share would otherwise be issuable on conversion of one (1) or more Preferred Shares Series A, the Company shall adjust such fractional interest by the payment by cheque of an amount equal to the then current market value of such fractional interest computed on the basis of the last board lot sale price (or the last bid price if there had been no board lot sale) for the Common Shares on The Toronto Stock Exchange (or, if the Common Shares are not listed on The Toronto Stock Exchange, on such stock exchange on which such shares are listed as may be selected for such purpose by the directors) next preceding the date of such surrender. In the event that the Common Shares are not listed on any stock exchange, the current market value of such fractional interest shall be determined by the directors.
- (j) **Postponement of Issuance of Shares upon Conversion.** In any case where the application of the foregoing provisions results in an increase of the Conversion Basis taking effect immediately after the record date for a specific event, if any Preferred Shares Series A are converted after that record date and prior to completion of the event, the Company may postpone the issuance to the holder of the additional Common Shares to which he is entitled by reason of the increase of the Conversion Basis but such additional Common Shares shall be so issued and delivered to that holder upon completion of the event and the Company shall deliver to the holder an appropriate instrument evidencing his right to receive such additional Common Shares.
- (k) **Reservation of Common Shares.** The Company covenants and agrees that, so long as any of the Preferred Shares Series A are outstanding and entitled to the right of conversion herein provided, it will at all times reserve and hold out of its unissued Common Shares a sufficient number of unissued Common Shares to enable all of the Preferred Shares Series A outstanding to be converted upon the basis and upon the terms and conditions herein provided in this clause 3; provided that nothing herein contained shall affect or restrict the right of the Company to increase the number of its Common Shares in accordance with the Act nor to issue such Common Shares from time to time.

#### **Retraction Privilege**

4. The Company shall once during the one hundred and sixty (160) day period ending on the date (the "Retraction Date") being the fifth (5th) anniversary of the Effective Date of the Amalgamation,

unless all the Preferred Shares Series A shall have theretofore been converted, redeemed or otherwise retired, invite tenders from all holders of the Preferred Shares Series A for the redemption of all such shares by the Company at a price equal to \$5.50 per share plus accrued and unpaid cumulative preferential dividends (the "Retraction Price") (the date of such initial invitation and any other subsequent date herein provided on which the Company invites tenders from the holders of such Preferred Shares Series A for the redemption of such shares as herein provided being hereinafter called the "Invitation Date") and, subject as hereinafter provided, shall accept all such tenders received by it prior to the expiry of a period to be specified by the Company in such invitation (which period shall not be less than ninety (90) days from the date such invitation was mailed to the holders of Preferred Shares Series A but which shall not expire in any event before the thirtieth (30th) day after the Retraction Date), the date of the expiry of such period being hereinafter called the "Termination Date" and, subject as hereinafter provided, give written notice to each holder of a Preferred Share Series A making such tender reasonably promptly after receipt of the same that the same has been accepted by the Company and that payment of the Retraction Price of the Preferred Shares Series A so tendered will be made upon surrender of the certificates therefor (all of the foregoing being hereinafter called the "Retraction Privilege"). If such invitation is made not later than the sixtieth (60th) day prior to the Retraction Date, it may, but need not, include notice of the expiration of the right of conversion required to be given pursuant to subclause 3 (a) of these Preferred Shares Series A Series Provisions.

The Company shall only be obliged to redeem Preferred Shares Series A pursuant to the Retraction Privilege if and so long as such redemption would not be contrary to any applicable law. If at the Invitation Date, the Company believes that it would not be permitted by any applicable law to redeem all of the Preferred Shares Series A outstanding as at such date, the Company shall include in the invitation mailed to holders of the Preferred Shares Series A notice of the maximum number of Preferred Shares Series A which it then believes it will be permitted to redeem if tendered, provided that if the Company has acted in good faith the Company shall have no liability in the event that such belief proves inaccurate. If such redemption of all or any portion of the Preferred Shares Series A would be contrary to applicable law, the Company shall only be obliged to redeem to the extent that the moneys applied thereto shall be such amount (rounded to the next lower multiple of \$5,000), as would not be contrary to such law. In such case, the Company shall redeem from each holder of tendered Preferred Shares Series A that number of whole Preferred Shares Series A that may be redeemed out of his pro rata share of the Retraction Price available as aforesaid and shall issue and deliver to him a new share certificate, at the expense of the Company, representing the Preferred Shares Series A not redeemed by the Company.

If a holder of Preferred Shares Series A wishes to tender only a part of the shares represented by any certificate, the holder may deposit the certificate representing such shares and at the same time advise the Company in writing as to the number of Preferred Shares Series A with respect to which his tender is being made and, if he does so, the Company shall issue and deliver to such holder, at the expense of the Company, a new share certificate representing the Preferred Shares Series A which are not being tendered.

If the Company, in its invitation for tenders, gives notice of a maximum number of shares which it then believes it will be permitted to redeem if tendered, or fails to redeem all of the Preferred Shares Series A duly tendered in accordance with the aforesaid Retraction Privilege, or any retraction privilege provided for in this paragraph, the holders of the Preferred Shares Series A shall be entitled to a further retraction privilege for which (x) the Invitation Date shall be such date after the time that the Company is no longer prevented by provisions of applicable law from redeeming the lesser of (i) the Preferred Shares Series A then outstanding, or (ii) 15,000 Preferred Shares Series A, as it is reasonably feasible for the Company to make an invitation for tenders in this regard and (y) the Retraction Date shall be the next succeeding date on which cumulative dividends on the Preferred Shares Series A are payable, which date is not less than eighty (80) days after the said Invitation Date.



### **Optional Redemption and Restrictions Thereon**

5. The Company may not redeem the Preferred Shares Series A, or any of them, on or before the last day of the thirtieth (30th) month from the Effective Date of the Amalgamation. Thereafter, but only in the event that the trading price of the Common Shares (as hereinafter defined) as of the date on which the notice of redemption hereinafter referred to is given is not less than one hundred and fifty per cent (150%) of the Equivalent Conversion Price then in effect, the Company may, subject to the provisions of the Act and upon giving notice as provided in this clause 5, redeem at any time the whole or, subject to the provisions of clause 8 of these Preferred Shares Series A Series Provisions, from time to time any part of the then outstanding Preferred Shares Series A on payment for each share to be redeemed of the par value thereof together with all accrued and unpaid cumulative preferential dividends thereon, which for such purpose shall be calculated as if such dividends were accruing on a day to day basis for the period from the expiration of the last period for which dividends thereon have been paid up to the date of such redemption (such price, including accrued and unpaid dividends, at which Preferred Shares Series A may be redeemed at any given time pursuant to this clause 5 and to clause 6 of these Preferred Shares Series A Series Provisions being hereinafter called the "Redemption Price").

For purposes of this clause 5, "trading price" means the Market Price as in these Preferred Shares Series A Series Provisions defined; provided that if the number of Common Shares traded during the period of time required for the determination of the Market Price is less than 100,000, such period of time shall be increased to include that number of trading days during which not less than 100,000 Common Shares have traded.

The Company, on the date on which such notice of redemption is given, shall file with its transfer agent for the Preferred Shares Series A a certificate certifying as to the Equivalent Conversion Price then in effect.

Notice of any redemption of Preferred Shares Series A shall be given by the Company in the manner set forth in clause 10 of the Preferred Share Class Provisions.

On or after the date so specified for redemption, the Company shall pay or cause to be paid to or to the order of the registered holders of Preferred Shares Series A to be redeemed the Redemption Price in the manner set forth in clause 10 of the Preferred Shares Class Provisions.

### **Mandatory Redemption**

6. Notwithstanding the provisions of the foregoing clause 5 but subject to the provisions hereinafter set out and to the provisions of the Act, in the event that the Market Price of the Preferred Shares Series A calculated as at the last day of any fiscal year of the Company (the "fiscal year end") is less than the par value thereof, the Company shall, upon giving notice as provided in this clause 6, redeem, within thirty (30) days of such fiscal year end, pro rata from the then holders of Preferred Shares Series A an amount of Preferred Shares Series A equal to five per cent (5%) of the aggregate par value of the total number of such shares issued by the Company at any time within sixty-five (65) days from and including the Effective Date of the Amalgamation (such total number of shares being hereinafter in these Preferred Shares Series A Series Provisions referred to as the "Original Outstanding Preferred Shares Series A") on payment for each Preferred Share Series A to be redeemed of the Redemption Price. The Company, on the date on which the notice of redemption hereinafter referred to is given or on the date being not later than the thirty-first (31st) day next following such fiscal year end, whichever is later, shall file with its transfer agent for the Preferred Shares Series A a certificate certifying as to the Market Price of the Preferred Shares Series A calculated as at such fiscal year end.

Notice of any redemption of Preferred Shares Series A pursuant to this clause 6 shall be given by the Company in the manner set forth in clause 10 of the Preferred Shares Class Provisions, except that the period for the giving of notice shall be abridged to a minimum of ten (10) days so that any redemption required pursuant to this clause 6 shall occur within thirty (30) days of any fiscal year end.

On or after the date so specified for redemption, the Company shall pay or cause to be paid to or to the order of the registered holders of Preferred Shares Series A to be redeemed the redemption price in the manner set forth in clause 10 of the Preferred Shares Class Provisions.

Notwithstanding the foregoing, the Company shall only be obliged to redeem Preferred Shares Series A under the foregoing provisions if and so long as such redemption would not be contrary to any applicable law.

#### **Restoration to Class on Redemption or Conversion**

7. Any Preferred Shares Series A which are redeemed or converted as herein provided shall, upon compliance with any applicable provisions of the Act, be therefrom restored to the status of authorized but unissued Preferred Shares not included in any series of Preferred Shares.

#### **Restrictions on the Payment of Dividends and on Retirement of Shares**

8. So long as any of the Preferred Shares Series A are outstanding, the Company shall not, without the prior approval of the holders of such Preferred Shares Series A:

- (i) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares ranking junior to the Preferred Shares Series A in all respects) or make any other distribution on the shares ranking junior to the Preferred Shares Series A with respect to repayment of capital or payment of dividends,
- (ii) call for redemption or reduce or otherwise retire for value any Common Shares or any other shares of any class ranking on a parity with or junior to the Preferred Shares Series A with respect to repayment of capital or payment of dividends (except out of the net cash proceeds of an issue of shares ranking junior to the Preferred Shares Series A in all respects made within the sixty (60) days preceding such call for redemption or reduction), or
- (iii) call for redemption, otherwise than pursuant to clauses 4 and 6 of these Preferred Shares Series A Series Provisions, less than all of the Preferred Shares Series A then outstanding;

unless, in each case, all dividends up to and including the dividend payable for the last completed period for which such dividends shall be payable on the Preferred Shares Series A then outstanding shall have been declared and paid or set apart for payment at the date of such action.

#### **Restrictions on Creation of Equal or Prior Ranking Shares**

9. For the purposes of this clause 9, the directors of the Company may from time to time determine the Adjusted Consolidated Net Earnings Available for Dividends and/or Shareholders' Equity as at a date not more than one hundred and eighty (180) days prior to the making of such determination and may determine such Adjusted Consolidated Net Earnings Available for Dividends and/or Shareholders' Equity to be not less than a stated amount without determining the exact amount thereof; in making any such determination the directors shall consider and may rely on the last available audited consolidated balance sheet or statement of earnings of the Company and its subsidiaries and/or the last available audited balance sheet or statement of earnings of the Company reported on by the Company's auditors and may consider and rely on the last available unaudited consolidated balance sheet or statement of earnings of the Company and its subsidiaries and/or the last available unaudited balance sheet or statement of earnings of the Company prepared by the accounting officers of the Company and upon any other financial statement, report or other data which they may consider reliable and upon the last available independent property valuation provided that the directors shall not make any such determination on the basis of any such balance sheet, statement, report, valuation or other data if to their knowledge any event has happened which would materially and adversely affect such Adjusted Consolidated Net Earnings Available for Dividends and/or Shareholders' Equity as determined on such basis; upon any such determination having been made by the directors under the provisions hereof the Adjusted Consolidated Net Earnings Available for Dividends and/or Shareholders' Equity of the Company and its subsidiaries as at any date within a period of one hundred and eighty (180) days following the date as of which



such determination is made (unless any further determination of such Adjusted Consolidated Net Earnings Available for Dividends and/or Shareholders' Equity is so made within such period) shall be conclusively deemed to be not less than the amount stated in such determination and such determination shall be conclusive and binding on the Company and the holders of shares of every class.

So long as any of the Preferred Shares Series A are outstanding the Company shall not issue any other Preferred Shares or any share of any other class ranking in any respect prior to or on a parity with the Preferred Shares Series A unless, in either case: (i) Adjusted Consolidated Net Earnings Available for Dividends for any twelve (12) consecutive months of the eighteen (18) calendar months immediately preceding the date of issue of such shares shall have been at least equal to two (2) times the annual dividend requirements on all Preferred Shares and other such shares ranking prior to or on a parity with the Preferred Shares Series A to be outstanding immediately after such issue; and (ii) Shareholders' Equity as at a date not more than one hundred and eighty (180) days prior to such issue, shall be at least equal to one and one-half ( $1\frac{1}{2}$ ) times the aggregate par value of all Preferred Shares and other shares of the Company ranking in priority to or on a parity with the Preferred Shares Series A to be outstanding immediately after such issue; provided that any of such shares which have been duly called for redemption and for the redemption of which adequate provision has been made assuring that such shares shall be redeemed within thirty-five (35) days thereafter shall be considered to have been redeemed for the purpose of this clause 9.

#### **Liquidation, Dissolution or Winding-up**

10. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs, the holders of the Preferred Shares Series A shall be entitled to receive the amount paid up on such shares together with all accrued and unpaid cumulative preferential dividends thereon, which for such purpose shall be calculated as if such dividends were accruing on a day to day basis for the period from the expiration of the last period for which dividends thereon have been paid up to the date of such event, the whole before any amount shall be paid or payable or assets of the Company shall be distributed to the holders of the Common Shares or to the holders of any other shares ranking junior to the Preferred Shares Series A with respect to payment of capital. After payment to the holders of the Preferred Shares Series A of the amount so payable to them they shall not be entitled to share in any further distribution of the assets of the Company.

#### **Voting**

11. The holders of the Preferred Shares Series A shall be entitled to receive notice of, and to attend and, either in person or by proxy, vote at (on the basis of that number of votes for each Preferred Share Series A equal to the Conversion Basis then in effect) all meetings of the shareholders of the Company other than separate meetings of the holders of shares of another series or class of shares of the Company.

#### **Election of Directors**

12. The holders of Preferred Shares Series A shall be entitled, voting separately and exclusively as a class, for so long as at least ten per cent (10%) of the Original Outstanding Preferred Shares Series A remain outstanding, to elect two (2) directors of the total number of the directors of the Company. Any vacancy occurring among members of the board elected to represent the holders of the Preferred Shares Series A may be filled by the board with the consent and approval of the remaining director elected to represent the holders of Preferred Shares Series A. Whether or not such vacancy is so filled by the board, when there are not two (2) directors in office who have been elected to represent the holders of Preferred Shares Series A by such holders, the holders of record of at least one-tenth ( $1/10$ th) of the outstanding Preferred Shares Series A shall have the right to

require the Secretary of the Company to call a meeting of the holders of the Preferred Shares Series A for the purpose of filling such vacancy or vacancies or replacing any person filling such vacancy or vacancies who has been appointed by the directors. In default of the calling of such meeting by the Secretary within five (5) days after the making of such request, it may be called by any holder or holders of record of outstanding Preferred Shares Series A. Any such meeting shall be called in accordance with the provisions for the calling of any extraordinary meeting of shareholders of the Company as may be provided in the Company's Memorandum and Articles of Association.

### **Notices**

13. Unless otherwise specifically provided herein or in the Preferred Shares Class Provisions, any notice, cheque, invitation for tenders or other communication from the Company provided for in the Preferred Shares Series A Series Provisions shall be sent to the holders of the Preferred Shares Series A by ordinary unregistered mail, postage prepaid, at their respective addresses appearing on the books of the Company or, in the event of the address of any such holder not so appearing then at the last known address of such holder. Accidental failure to give any such notice, invitation for tenders or other communication to one or more holders of the Preferred Shares Series A shall not affect the validity thereof, but, upon such failure being discovered, the notice, invitation for tenders or other communication, as the case may be, shall be sent forthwith to such holder or holders and shall have the same effect as if given in due time.

### **Amendments**

14. The provisions of clauses 1 to 15 inclusive of these Preferred Shares Series A Series Provisions, or any of them, may be repealed, altered, modified, amended or amplified only with the sanction of the holders of the Preferred Shares Series A given as hereinafter specified in addition to any other approval required by the Act.

### **Sanction by Holders of Preferred Shares Series A**

15. The sanction of holders of the Preferred Shares Series A as to any and all matters referred to herein or as to any change adversely affecting the rights or privileges of the Preferred Shares Series A may be given and shall be deemed to have been sufficiently given if given by the holders of the Preferred Shares Series A in the manner provided in clause 12 of the Preferred Shares Class Provisions, which provisions shall apply mutatis mutandis as though the term "Preferred Shares Series A" were used in such clause in place of the term "Preferred Shares".



## **PART C — Preferred Shares Series B**

The second series of Preferred Shares is designated as convertible retractable preferred shares series B (the “Preferred Shares Series B”) and, in addition to the rights, privileges, preferences, conditions and restrictions attached to the Preferred Shares as a class, shall have attached thereto the following rights, privileges, preferences, restrictions and conditions (collectively the “Preferred Shares Series B Series Provisions”):

### **Interpretation**

1. (a) The following words and phrases whenever used in these Preferred Shares Series B Series Provisions shall have the following meanings unless there be something in the context inconsistent therewith:

“Additional Equity Shares” means any Equity Shares issued after May 1, 1979 (including Class A Shares) other than (a) Common Shares issued upon conversions of Preferred Shares Series B or Preferred Shares Series A; (b) Equity Shares issued upon exercise of stock options heretofore or hereafter granted to officers or employees of the Company or of any subsidiary or of any affiliate designated as such by the directors; and (c) Equity Shares issued to any such officers or employees or to a trustee on their behalf pursuant to any stock purchase or analogous plan; provided that a subdivision or consolidation of Equity Shares or a reclassification or change of Equity Shares shall not constitute an issue of Additional Equity Shares.

“Amalgamation” means the amalgamation of Conuco Limited, Caballero Exploration Ltd., Canada 91639 Limited and Exalta Petroleums Ltd. pursuant to the terms of a Merger and Amalgamation Agreement made as of the 13th day of June, 1979 between the Company and the foregoing companies.

“business day” shall be a day other than a Saturday, or Sunday or any other day that is treated as a holiday in the municipality where the Company’s principal office in Canada is situated.

“Class A Shares” means the Common Shares held by the Company and which are not outstanding and which have been designated by legislation of the Province of Newfoundland as Class A Shares of the Company for so long as such shares are held by the Company and are not outstanding.

“close of business” means the normal closing hour of the principal office in the City of Toronto of the transfer agent for the Preferred Shares Series B.

“Conversion Basis” at any time means the number of Common Shares into which one (1) Preferred Share Series B shall be convertible at such time in accordance with the provisions of clause 2 hereof.

“Effective Date of the Amalgamation” means the date of issuance of the Certificate of Amalgamation by the Registrar of Companies under and pursuant to The Companies Act (Alberta) in respect of the Amalgamation.

“Equity Shares” means the Common Shares as said shares were constituted on May 1, 1979 and shares of any other class or other securities, as the case may be, resulting from the re-classification of such Common Shares as provided in clause 2 hereof.

“Equivalent Conversion Price” at any time means the quotient obtained by dividing the sum of \$5.50 by the Conversion Basis in effect at such time.

“Market Price” of the Common Shares at any date, means the weighted average of the closing board lot trading prices per share of the Common Shares on The Toronto Stock Exchange (or, if the Common Shares are not listed on The Toronto Stock Exchange, on such stock exchange on which such shares are listed as may be selected for the purpose by the directors) during the twenty (20) most recent trading days on which there have been

board lot trades immediately prior to the fourth (4th) day preceding such date. In the event that the Common Shares are not listed on any stock exchange, the Market Price of the Common Shares shall be determined by the directors.

"Preferred Shares Series A" means the 7% cumulative convertible redeemable retractable preferred shares series A with a par value of \$5.50 each of the Company, being the first series of Preferred Shares.

"Shareholders' Equity" means at any given time an amount equal to the aggregate of retained earnings or deficit and contributed surplus of the Company and its subsidiaries and the amount paid-up on issued and outstanding Preferred Shares, shares of the Company ranking on a parity with or junior to the Preferred Shares and Common Shares of the Company, arrived at on a consolidated basis in accordance with generally accepted accounting principles.

"subsidiary company" or "subsidiary" means any corporation or company of which more than fifty per cent (50%) of the outstanding shares carrying voting rights at all times (provided that the ownership of such shares confers the right at all times to elect at least a majority of the board of directors of such corporation or company) are for the time being owned by or held for the Company and/or any other corporation or company in like relation to the Company and includes any corporation or company in like relation to a subsidiary and, in addition, means any other corporation or company the revenue and expense accounts of which may, from time to time, be consolidated by the Company in the revenue and expense accounts forming part of annual financial statements of the Company in accordance with generally accepted accounting principles.

(b) Clause 1 of the Preferred Shares Class Provisions entitled "Interpretation" is incorporated herein.

(c) In the event that any date by which any action is required to be taken by the Company under these Preferred Shares Series B Series Provisions is not a business day, then such action shall be required to be taken on or by the next succeeding day which is a business day.

## **Conversion**

2. (a) **Right of Conversion.** The holders of the Preferred Shares Series B shall have the right, at any time and from time to time, up to but not after the close of business on the Termination Date (as defined in clause 3 of these Preferred Shares Series B Series Provisions), subject to any adjustment to the Conversion Basis as hereinafter provided, to convert all or any of their Preferred Shares Series B into Common Shares, on the basis of 0.55 of a Common Share for each Preferred Share Series B converted.
- (b) **Conversion Procedure.** The conversion right herein provided for may be exercised by notice in writing given to the transfer agent for the time being of the Company for the Preferred Shares Series B at its principal office in the City of Toronto, or at any other city or cities as the Company may from time to time designate, accompanied by the certificate or certificates representing the Preferred Shares Series B in respect of which the holder thereof desires to exercise such right of conversion. Such notice shall be signed by such holder or his duly authorized attorney and shall specify the number of Preferred Shares Series B which the holder desires to have converted. The certificate or certificates for such shares need not be endorsed, except in the circumstances hereinafter contemplated, and the certificates for Common Shares resulting from conversion shall be issued in the name of the registered holder of the Preferred Shares Series B converted or in such name or names as such registered holder may direct in writing (either in the notice referred to above or otherwise), provided that such registered holder shall pay any applicable security transfer taxes. If the certificates for Common Shares resulting from conversion are to be issued in a name other than that of the registered holder of the Preferred Shares Series B, the transfer form on the back of the certificate(s) representing such Preferred Shares Series B shall be endorsed by the registered holder thereof or his duly authorized attorney, with signature



guaranteed in a manner satisfactory to the Company's transfer agent for the Preferred Shares Series B. If less than all the Preferred Shares Series B represented by any certificate or certificates accompanying any such notice are to be converted, the holder shall be entitled to receive, at the expense of the Company, a new certificate representing the Preferred Shares Series B comprised in the certificate or certificates surrendered as aforesaid which are not to be converted.

(c) **Effective Date of Conversion.** Subject as hereinafter provided in this clause 2, Preferred Shares Series B shall be deemed to have been converted into Common Shares on the respective dates of surrender of certificates representing the Preferred Shares Series B to be converted accompanied by notice in writing as provided in subclause 2(b) hereof, notwithstanding any delay in the delivery of certificates representing the Common Shares into which such Preferred Shares Series B have been converted.

(d) **Adjustment of Conversion Basis.**

- (i) If the Company shall declare a dividend or make a distribution on its outstanding Common Shares payable in Common Shares, or shall subdivide its outstanding Common Shares into a greater number of shares, or shall consolidate its outstanding Common Shares into a smaller number of shares (any such event being herein called a "Common Share Reorganization") then the Conversion Basis shall be proportionately adjusted immediately after the record date at which the holders of Common Shares are determined for purposes of the Common Share reorganization and any holder of Preferred Shares Series B who has not exercised his right of conversion prior to the effective date of such Common Share Reorganization shall be entitled to receive and shall accept, upon the exercise of such right at any time on such effective date or thereafter, in lieu of the number of Common Shares to which he was theretofore entitled upon conversion, the aggregate number of Common Shares of the Company that such holder would have been entitled to receive as a result of such Common Share Reorganization if, on the effective date thereof, he had been the registered holder of the number of Common Shares to which he was theretofore entitled upon conversion.
- (ii) If there is a capital reorganization of the Company not covered by subclause 2 (d) (i) hereof or a consolidation or merger or amalgamation of the Company with or into any other company including by way of a sale whereby all or substantially all of the Company's undertaking and assets would become the property of any other company (any of which is herein called a "Capital Reorganization"), any holder of Preferred Shares Series B who has not exercised his right of conversion prior to the effective date of such Capital Reorganization shall be entitled to receive and shall accept, upon the exercise of such right at any time on the effective date or thereafter, in lieu of the number of Common Shares to which he was theretofore entitled upon conversion, the aggregate number of shares or other securities or property of the Company or of the company resulting from or purchasing under the Capital Reorganization, that such holder would have been entitled to receive as a result of such Capital Reorganization if, on the effective date thereof, he had been the registered holder of the number of Common Shares to which he was theretofore entitled upon conversion; provided that no such Capital Reorganization shall be carried into effect unless, in the opinion of the directors, all necessary steps shall have been taken to ensure that the holders of the Preferred Shares Series B shall thereafter be entitled to receive such number of shares or other securities or property of the Company or of the company resulting from or purchasing under the Capital Reorganization, subject to adjustment thereafter in accordance with provisions similar, as nearly as may be, to those contained in this clause 2.
- (iii) If the Company shall issue options, rights or warrants to holders of its outstanding Common Shares under which such holders are entitled to subscribe for or purchase Additional Equity Shares at a subscription or purchase price per share less than the Market Price in effect on the record date for such issue (any such event being herein called a "Rights Offering"), then the Conversion Basis shall be adjusted immediately

after the record date at which the holders of Common Shares are determined for the purpose of the Rights Offering by dividing into \$5.50 the adjusted Equivalent Conversion Price determined by multiplying the Equivalent Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date plus a number determined by dividing the aggregate subscription price of the total number of Additional Equity Shares offered for subscription or purchase under the Rights Offering by the Market Price on such record date and of which the denominator shall be the total number of Common Shares outstanding on such record date plus the total number of Additional Equity Shares offered for subscription or purchase. The resulting quotient, adjusted to the nearest 1/100th, shall thereafter be the Conversion Basis until further adjusted as provided in this clause 2. If at the date of expiry of the options, rights or warrants less than all of them have been exercised so that less than all of the Equity Shares issuable with respect thereto have been issued, then the Conversion Basis shall be re-adjusted immediately after the date of expiry to the Conversion Basis which would have been in effect on such date of expiry if the only options, rights or warrants issued had been those that were exercised.

- (iv) If the Company shall at any time or from time to time in any manner issue or sell any shares or securities convertible into or exchangeable for Common Shares (such convertible or exchangeable shares or securities being herein called "Convertible Securities"), whether or not the rights to exchange or convert the same are immediately exercisable, and the price per share for which Common Shares are issuable upon such conversion or exchange (determined by dividing (a) the total amount received or receivable by the Company as consideration for the issue of such Convertible Securities plus the minimum aggregate amount of additional consideration, if any, payable to the Company upon the conversion or exchange of all such Convertible Securities, by (b) the total maximum number of Common Shares issuable upon the conversion or exchange of all such Convertible Securities) shall be less than the Market Price in effect immediately prior to the time of such issue or sale of Convertible Securities (any such event being herein called an "Issue of Convertible Securities"), then the Conversion Basis shall be adjusted immediately after such issue or sale by dividing into \$5.50 the adjusted Equivalent Conversion Price determined by multiplying the Equivalent Conversion Price in effect at such time by a fraction, of which the numerator shall be the total number of Common Shares outstanding at such date plus a number determined by dividing the aggregate issue or sale price of the total number of Common Shares issuable upon the conversion or exchange of all such Convertible Securities by the Market Price on the date of such issue or sale and of which the denominator shall be the total number of Common Shares outstanding on the date of such issue or sale plus the total number of Common Shares issuable upon such conversion or exchange. The resulting quotient, adjusted to the nearest 1/100th, shall thereafter be the Conversion Basis until further adjusted as provided in this clause 2. If, at the date of expiry of any conversion or exchange rights of or appertaining to any Convertible Securities, less than all of the Convertible Securities have been converted or exchanged so that less than all of the Common Shares issuable with respect thereto have been issued, then the Conversion Basis shall be re-adjusted immediately after such date of expiry to the Conversion Basis which would have been in effect on such date of expiry if the only Convertible Securities issued or sold had been those that were converted or exchanged. For the purposes of this subclause 2 (d) (iv), Convertible Securities shall be deemed to be issued on the date on which the Company enters into an enforceable agreement to issue such Convertible Securities.
- (v) If the Company shall at any time or from time to time issue or sell Additional Equity Shares, other than pursuant to the exercise of a conversion or exchange right attaching to a Convertible Security, at a price per share less than the Market Price in effect on the



date of such issue or sale and such issue or sale does not constitute a Common Share Reorganization, a Capital Reorganization or a Rights Offering (any such event being herein called a "New Issue"), then the Conversion Basis shall be adjusted immediately after the date of such issue or sale by dividing into \$5.50 the adjusted Equivalent Conversion Price determined by multiplying the Equivalent Conversion Price in effect on the date of issue or sale by a fraction, of which the numerator shall be the total number of Common Shares outstanding on the date of issue or sale plus a number determined by dividing the aggregate of the subscription price of the total number of Additional Equity Shares so issued or sold by the Market Price on the date of issue or sale and of which the denominator shall be the total number of Common Shares outstanding on the date of such issue or sale plus the total number of Additional Equity Shares issued or sold. The resulting quotient, adjusted to the nearest 1/100th, shall thereafter be the Conversion Basis until further adjusted as provided in this clause 2. For the purposes of this subclause 2 (d) (v), Additional Equity Shares shall be deemed to be issued on the date on which the Company enters into an enforceable agreement to issue such Additional Equity Shares.

(vi) If the Company shall issue or distribute to the holders of its outstanding Common Shares, shares of any class other than Common Shares, or options, rights or warrants, or evidences of indebtedness or any other assets (apart from cash) and such issuance or distribution does not constitute a Common Share Reorganization, a Capital Reorganization, a Rights Offering, an Issue of Convertible Securities or a New Issue (any such event being herein called a "Special Distribution"), then the Conversion Basis shall be adjusted immediately after the record date at which the holders of Common Shares are determined for purposes of the Special Distribution by dividing into \$5.50 the adjusted Equivalent Conversion Price determined by multiplying the Equivalent Conversion Price in effect on the record date by a fraction, of which the numerator shall be a number determined by multiplying the total number of Common Shares outstanding on such record date by the Market Price on such date and deducting from the amount so obtained the aggregate fair market value, as determined by the directors, of the shares, options, rights, warrants, evidences of indebtedness or other assets distributed in the Special Distribution and of which the denominator shall be the total number of Common Shares outstanding on such record date multiplied by the Market Price on such record date (provided that no such adjustment shall be made if the result of such adjustment would be to decrease the Conversion Basis in effect immediately before such record date). The resulting quotient, adjusted to the nearest 1/100th, shall thereafter be the Conversion Basis until further adjusted as provided in this clause 2.

(vii) If any re-classification or other change shall be made in the outstanding Common Shares, which re-classification or other change does not constitute a Common Share Reorganization or a Capital Reorganization, then the Conversion Basis shall be adjusted in such manner as the auditors of the Company determine to be appropriate.

(e) **Conversion Adjustment Rules.** The following rules and procedures shall be applicable to Conversion Basis adjustments made pursuant to subclause 2 (d) hereof:

- (i) any Common Shares (which for all purposes of this subsection (i) shall include Class A Shares) owned by or held for the account of the Company shall be deemed not to be outstanding but, for the purposes of this subsection (i), any Common Shares owned by a pension plan for employees of the Company or its subsidiaries shall not be considered to be owned by or held for the account of the Company;
- (ii) in the case of any issue by the Company of Additional Equity Shares for cash, the consideration received by the Company therefor shall be deemed to be the amount of cash received by the Company for such Additional Equity Shares before deducting therefrom the amount of any commission, discount or other expenses which have been paid

or incurred by the Company for any underwriting of, or otherwise in connection with, the issuance or sale of such Additional Equity Shares;

- (iii) if the purchase price provided for in any Rights Offering referred to in subclause 2 (d) (iii) is decreased, or the rate at which any Convertible Securities referred to in subclause 2 (d) (iv) are convertible into or exchangeable for Common Shares is increased, the Conversion Basis shall forthwith be changed so as to increase the Conversion Basis to such Conversion Basis as would have obtained had the adjustment made upon the issuance of such Rights Offering or Convertible Securities been made upon the basis of such purchase price as so decreased or such rate as so increased, provided that the provisions of this subsection (iii) shall not apply to any such increase or decrease resulting from provisions in any such Rights Offering or Convertible Securities designed to prevent dilution if such increase or decrease shall not have been proportionately greater than the increase, if any, in the Conversion Basis to be made at the same time pursuant to the provisions of this clause 2;
  - (iv) no adjustment in the Conversion Basis shall be required unless a decrease of at least one per cent (1%) in the prevailing Equivalent Conversion Price would result, provided, however, that any adjustment which, except for the provisions of this subsection (iv) would otherwise have been required to be made, shall be carried forward and taken into account in any subsequent adjustment;
  - (v) if any question shall at any time arise with respect to adjustments in the Conversion Basis, such question shall be conclusively determined by the auditors of the Company and any such determination shall be binding upon the Company and all transfer agents and all shareholders of the Company;
  - (vi) forthwith after any adjustment in the Conversion Basis pursuant to the foregoing subclause 2 (d), the Company shall file with the transfer agent of the Company for the Preferred Shares Series B, a certificate certifying as to the amount of such adjustment and, in reasonable detail, the event requiring and the manner of computing such adjustment; the Company shall also at such time give written notice to the registered holders of Preferred Shares Series B of the Conversion Basis and the Equivalent Conversion Price following such adjustment and clause 10 of the Preferred Share Class Provisions with respect to the giving of notice of redemption shall apply mutatis mutandis to the giving of such notice; and
  - (vii) in the case of a New Issue for consideration other than cash, the adjustment required by subclause 2 (d) (v) hereof shall be based on the fair market value of such consideration, as determined by the directors.
- (f) **Entitlement to Dividends.** The registered holder of any Common Share resulting from any conversion pursuant to this clause 2 shall be entitled to rank equally with the registered holders of all other Common Shares in respect of all dividends declared payable to holders of Common Shares of record on any date after the date of conversion. Subject as aforesaid, no payment or adjustment will be made on account of any dividend, accrued or otherwise, on the Common Shares resulting from any conversion.
- (g) **Notice of Certain Events.** If the Company intends to fix a record date for any Common Share Reorganization (other than the subdivision of outstanding Common Shares into a greater number of shares or the consolidation of outstanding Common Shares into a smaller number of shares) or for any Capital Reorganization or for any Rights Offering or Special Distribution, the Company shall, not less than twenty-one (21) days prior to such record date, notify each registered holder of Preferred Shares Series B of such intention by written notice setting forth the particulars of the proposed event to the extent that such particulars have been determined at the time of giving the notice and the provisions of clause 10 of the Preferred Shares Class Provisions with respect to the giving of notice of redemption shall apply mutatis mutandis to the giving of such notice.



- (h) ***Avoidance of Fractional Shares.*** In any case where a fraction of a Common Share would otherwise be issuable on conversion of one (1) or more Preferred Shares Series B, the Company shall adjust such fractional interest by the payment by cheque of an amount equal to the then current market value of such fractional interest computed on the basis of the last board lot sale price (or the last bid price if there had been no board lot sale) for the Common Shares on The Toronto Stock Exchange (or, if the Common Shares are not listed on The Toronto Stock Exchange, on such stock exchange on which such shares are listed as may be selected for such purpose by the directors) next preceding the date of such surrender. In the event that the Common Shares are not listed on any stock exchange, the current market value of such fractional interest shall be determined by the directors.
- (i) ***Postponement of Issuance of Shares upon Conversion.*** In any case where the application of the foregoing provisions results in an increase of the Conversion Basis taking effect immediately after the record date for a specific event, if any Preferred Shares Series B are converted after that record date and prior to completion of the event, the Company may postpone the issuance to the holder of the additional Common Shares to which he is entitled by reason of the increase of the Conversion Basis but such additional Common Shares shall be so issued and delivered to that holder upon completion of the event and the Company shall deliver to the holder an appropriate instrument evidencing his right to receive such additional Common Shares.
- (j) ***Reservation of Common Shares.*** The Company covenants and agrees that, so long as any of the Preferred Shares Series B are outstanding and entitled to the right of conversion herein provided, it will at all times reserve and hold out of its unissued Common Shares a sufficient number of unissued Common Shares to enable all of the Preferred Shares Series B outstanding to be converted upon the basis and upon the terms and conditions herein provided in this clause 2; provided that nothing herein contained shall affect or restrict the right of the Company to increase the number of its Common Shares in accordance with the Act nor to issue such Common Shares from time to time.

### **Retraction at Option of Holder and Deemed Conversion**

3. A holder of Preferred Shares Series B shall be entitled until the close of business on the date of the first anniversary of the Effective Date of the Amalgamation (such date being herein called the "Termination Date"), to require the Company to redeem, subject to the provisions of the Act, at any time or times, all or any of the Preferred Shares Series B registered in the name of such holder on the books of the Company by tendering to the Company at its principal office a share certificate representing the Preferred Shares Series B which the registered holder desires to have the Company redeem. In the event that such holder does not accompany such certificate with a written request specifying the number of Preferred Shares Series B which such holder desires the Company to redeem, such holder shall be deemed to have requested the Company to redeem all the Preferred Shares Series B represented by the said certificate. The Company shall, on the thirtieth (30th) day (the "Redemption Date") after receipt by it of a share certificate representing the Preferred Shares Series B which the registered holder thereof desires to have redeemed, redeem such Preferred Shares Series B by paying to such registered holder an amount equal to the aggregate par value of the Preferred Shares Series B. Such payment shall be made by cheque payable at par at any branch of the Company's bankers for the time being in Canada. The said Preferred Shares Series B shall be redeemed on the Redemption Date and from and after the Redemption Date the holder thereof shall not be entitled to exercise any of the rights of a holder of Preferred Shares Series B in respect thereof unless payment of the redemption price is not made on the Redemption Date, in which event the rights of the holder of the said Preferred Shares Series B shall remain unaffected.

Notwithstanding the foregoing, the Company shall only be obliged to redeem Preferred Shares Series B under the foregoing provisions if and so long as such redemption would not be contrary to any applicable law.

In the event that a holder of Preferred Shares Series B does not tender his Preferred Shares Series B for redemption by the Company as aforesaid by the close of business on the Termination Date, or, if having so tendered, it would be contrary to any applicable law for the Company to redeem his Preferred Shares Series B so tendered, the right of a holder of Preferred Shares Series B to convert the same into Common Shares, as hereinbefore provided in clause 2 of these Preferred Shares Series B Series Provisions, shall be deemed to have been exercised by such holder as at the close of business on the Termination Date on the Conversion Basis in effect at that time, and such registered holder of Preferred Shares Series B shall be deemed to have become a holder of Common Shares of record of the Company for all purposes at such time and thereafter shall not be entitled to exercise any of the rights of a holder of Preferred Shares Series B. Forthwith following the Termination Date, the Company shall deliver or cause to be delivered to the former holders of the Preferred Shares Series B so converted, certificate(s) registered in the same name as the former holder of Preferred Shares Series B (unless prior to such delivery the Company or the transfer agent for the Preferred Shares Series B at its principal office in the City of Toronto shall have received written instructions from such registered holder directing in whose name or names such Common Shares are to be registered together with payment from such registered holder of any applicable security transfer taxes) representing the Common Shares into which such Preferred Shares Series B have been converted.

Any Preferred Shares Series B which are redeemed or converted as herein provided shall, upon compliance with any applicable provisions of the Act, be therefrom restored to the status of authorized but unissued Preferred Shares not included in any series of Preferred Shares.

#### **Liquidation, Dissolution or Winding-up**

4. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs, the holders of the Preferred Shares Series B shall be entitled to receive the amount paid up on such shares before any amount shall be paid or payable or assets of the Company shall be distributed to the holders of the Common Shares or to the holders of any other shares ranking junior to the Preferred Shares Series B with respect to payment of capital. After payment to the holders of the Preferred Shares Series B of the amount so payable to them they shall not be entitled to share in any further distribution of the assets of the Company.

#### **Restriction on Redemption**

5. Except as provided in clause 3 of these Preferred Shares Series B Series Provisions, the Preferred Shares Series B shall not be redeemable by the Company.

#### **Restriction on Creation of Equal or Prior Ranking Shares**

6. For the purposes of this clause 6, the directors of the Company may from time to time determine Shareholders' Equity as at a date not more than one hundred and eighty (180) days prior to the making of such determination and may determine such Shareholders' Equity to be not less than a stated amount without determining the exact amount thereof; in making any such determination the directors shall consider and may rely on the last available audited consolidated balance sheet of the Company and its subsidiaries and/or the last available audited balance sheet of the Company reported on by the Company's auditors and may consider and rely on the last available unaudited consolidated balance sheet of the Company prepared by the accounting officers of the Company and upon any other financial statement, report or other data which they may consider reliable and upon the last available independent property valuation provided that the directors shall not make any such determination on the basis of any such balance sheet, statement, report, valuation or other data if to their knowledge any event has happened which would materially and adversely affect such Shareholders' Equity as determined on such basis; upon any such determination having been made by the directors under the provisions hereof Shareholders' Equity of the Company and its subsidiaries as at any date within a period of one hundred and eighty (180) days following the



date as of which such determination is made (unless any further determination of such Shareholders' Equity is so made within such period) shall be conclusively deemed to be not less than the amount stated in such determination and such determination shall be conclusive and binding on the Company and the holders of shares of every class.

So long as any of the Preferred Shares Series B are outstanding the Company shall not issue any other Preferred Share or any share of any other class ranking in any respect prior to or on a parity with the Preferred Shares Series B unless Shareholders' Equity as at a date not more than one hundred and eighty (180) days prior to such issue, shall be at least equal to one and one-half (1-1/2) times the aggregate par value of all Preferred Shares and other shares of the Company ranking in priority to or on a parity with the Preferred Shares Series B to be outstanding immediately after such issue; provided that any of such shares which have been duly called for redemption and for the redemption of which adequate provision has been made assuring that such shares shall be redeemed within thirty-five (35) days thereafter shall be considered to have been redeemed for the purpose of this clause 6.

### **No Dividends**

7. The Preferred Shares Series B shall not bear dividends.

### **Voting**

8. The holders of the Preferred Shares Series B shall be entitled to receive notice of, and to attend and, either in person or by proxy, vote at (on the basis of that number of votes for each Preferred Share Series B equal to the Conversion Basis then in effect) all meetings of the shareholders of the Company other than separate meetings of the holders of shares of another series of class of shares of the Company.

### **Notices**

9. Unless otherwise specifically provided herein or in the Preferred Shares Class Provisions, any notice, cheque, invitation for tenders or other communication from the Company provided for in the Preferred Shares Series B Series Provisions shall be sent to the holders of the Preferred Shares Series B by ordinary unregistered mail, postage prepaid, at their respective addresses appearing on the books of the Company or, in the event of the address of any such holder not so appearing then at the last known address of such holder. Accidental failure to give any such notice, invitation for tenders or other communication to one or more holders of the Preferred Shares Series B shall not affect the validity thereof, but, upon such failure being discovered, the notice, invitation for tenders or other communication, as the case may be, shall be sent forthwith to such holder or holders and shall have the same effect as if given in due time.

### **Amendments**

10. The provisions of clauses 1 to 11, inclusive, of these Preferred Shares Series B Series Provisions, or any of them, may be repealed, altered, modified, amended or amplified only with the sanction of the holders of the Preferred Shares Series B given as hereinafter specified in addition to any other approval required by the Act.

### **Sanction by Holders of Preferred Shares Series B**

11. The sanction of holders of the Preferred Shares Series B as to any and all matters referred to herein or as to any change adversely affecting the rights or privileges of the Preferred Shares Series B may be given and shall be deemed to have been sufficiently given if given by the holders of the Preferred Shares Series B in the manner provided in clause 12 of the Preferred Shares Class Provisions, which provisions shall apply mutatis mutandis as though the term "Preferred Shares Series B" were used in such clause in place of the term "Preferred Shares".



AUG 31 1979

20 KING STREET WEST, TORONTO, ONTARIO, CANADA, M5H 1C4

TELEPHONE: (416) 868-6970

**NOTICE**  
of  
**EXTRAORDINARY GENERAL MEETING**

NOTICE is hereby given that an Extraordinary General Meeting of Brinco Limited (the "Company") will be held in the York Room, Royal York Hotel, 100 Front Street West, Toronto, Ontario, at 11:00 a.m. (Toronto Time) on Monday, September 24, 1979:

1. To consider and, if thought fit, to pass as a Special Resolution, Resolution No. 1, entitled "Merger and Amalgamation Agreement", being a resolution approving the execution and delivery by the Company of the Merger and Amalgamation Agreement (the "Merger and Amalgamation Agreement") made as of June 13, 1979 among Conuco Limited, Caballero Exploration Ltd., Canada 91639 Limited, Exalta Petroleums Ltd. and the Company and the performance by the Company of its obligations therein provided;
2. To consider and, if thought fit, to pass as a Special Resolution, Resolution No. 2, entitled "Increase in Authorized Capital", being a resolution approving the increase in the authorized capital of the Company by the creation of ten million (10,000,000) preferred shares with a par value of \$5.50 each, issuable by the directors of the Company in series (the "Preferred Shares"); and
3. To transact such other business of the Company as may properly come before the Meeting.

The material provisions of the Merger and Amalgamation Agreement and the material attributes of the Preferred Shares are described in the Information Booklet which, together with an Information Circular, accompany this Notice. Resolution No. 1 and Resolution No. 2 referred to above are set forth in the Information Circular commencing on page 4.

Any Shareholder who is unable to attend the Meeting in person is entitled to be represented by a proxy and is requested, after referring to the pertinent sections of the attached Information Circular and accompanying Information Booklet, to date, sign and return the enclosed form of proxy to The Royal Trust Company, P.O. Box 7500, Station "A", Toronto, Ontario M5W 1P9, not less than forty-eight hours before the time fixed for the Meeting. A proxy need not be a Shareholder of the Company.

Dated this 22nd day of August, 1979.

By Order of the Board,

Norbert M. Peters  
Vice-President and Secretary

Attached hereto:  
Information Circular

Enclosed herewith:  
Information Booklet  
Form of Proxy  
Addressed envelope





**AUG 31 1979**

August 29, 1979

H. R. SNYDER  
President  
and Chief Executive Officer

To the Shareholders:

Your support is requested for a plan for the merger of Brinco Limited with Conuco Limited and certain of its affiliated companies. Enclosed is material describing in detail the plan of merger.

For some time now Brinco has been engaged in the exploration for and development of natural resources, principally uranium and other minerals, and has sought to extend these activities into exploration for and development of oil and gas properties.

Your directors have given careful consideration to the merger proposal and believe it to be in the best interests of Brinco for the following principal reasons:

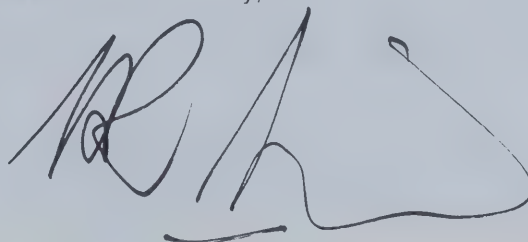
- (i) the merger will result in Brinco directly participating in the Canadian oil and gas industry, thereby permitting a more advantageous use of Brinco's present liquid funds;
- (ii) the merger will result in a significant increase in the Canadian content of Brinco's equity and a wider holding by public shareholders of such equity thereby resulting in greater liquidity for shares of Brinco;
- (iii) Brinco's management will be increased by the addition of experienced and well-qualified personnel in the oil and gas industry; and
- (iv) Brinco will emerge as a stronger and more efficient competitor in the Canadian natural resource industry.

The plan of merger contemplates that the successor company to Conuco Limited and its affiliates (to result from an amalgamation of such companies) will become a wholly-owned subsidiary of Brinco and that the existing shareholders of Conuco Limited will become shareholders of Brinco by receiving one common share of Brinco, one 7% cumulative convertible redeemable retractable preferred share series A with a par value of \$5.50 of Brinco and one convertible retractable preferred share series B with a par value of \$5.50 of Brinco for every three shares of Conuco Limited which they own immediately prior to the merger.

A Merger and Amalgamation Agreement among Brinco and Conuco Limited and its affiliated companies providing for the merger has been approved by your directors and executed and delivered on behalf of Brinco. An Extraordinary General Meeting of the shareholders of Brinco will be held on September 24, 1979, to consider and, if thought fit, to approve such execution and delivery by Brinco of the Merger and Amalgamation Agreement, to approve the performance by Brinco of its obligations in connection with the merger and to approve the creation of a new class of preferred shares which are to be used in connection with the merger.

If you do not intend to be present at the Extraordinary General Meeting would you kindly complete and return the enclosed proxy.

Sincerely,



Hugh R. Snyder,  
President and Chief  
Executive Officer



## INFORMATION CIRCULAR

This Information Circular accompanies the Notice of an Extraordinary General Meeting (the "Meeting") of the Shareholders of Brinco Limited (the "Company") to be held on Monday, September 24, 1979 and is furnished in connection with the solicitation by the management of the Company of proxies for use at the Meeting. **Accompanying this Information Circular is an Information Booklet (the "Information Booklet") dated August 22, 1979 and entitled "Merger of Brinco Limited and Conuco Limited" which contains information in respect of the matters set forth in the Notice of Meeting and which is supplemental to and is expressly made part of this Information Circular.**

### Solicitation of Proxies

In addition to the present solicitation by management, proxies may also be solicited on behalf of management by directors, officers, and regular employees of the Company, by mail, by telegram or by telephone. The cost of such solicitation will be borne by the Company.

### Business to be Transacted at Meeting

On June 13, 1979, the Merger and Amalgamation Agreement (the "Merger and Amalgamation Agreement") expressed to be made as of June 13, 1979 among Conuco Limited ("Conuco"), Caballero Exploration Ltd. ("Caballero"), Canada 91639 Limited ("91639"), Exalta Petroleum Ltd. ("Exalta") and the Company, providing for the merger, as therein provided, of Conuco, Caballero, 91639 and Exalta with Brinco (the "Merger"), was approved by the Executive Committee of the Company's board of directors and was executed and delivered on behalf of the Company.

Shareholders of the Company are being asked at the Meeting to consider and, if thought fit, to approve such execution and delivery by the Company of the Merger and Amalgamation and the performance by the Company of its obligations therein provided.

If a favorable vote is received with respect to the foregoing, the Shareholders of the Company will then be asked to consider and, if thought fit, to approve the increase in the authorized capital of the Company by the creation of ten million (10,000,000) preferred shares with a par value of \$5.50 each, issuable by the directors of the Company in series (the "Preferred Shares"), certain of which shares are to be used in connection with the Merger.

The texts of the resolutions in respect of the foregoing matters are set forth in this Information Circular commencing on page 4. Each resolution must receive the favorable vote of not less than 75% of the votes cast at the Meeting in order to become effective. Unless there is the appropriate affirmative vote in favour of each such resolution the Merger will not be proceeded with.

**The material provisions of the Merger and Amalgamation Agreement, the material attributes of the Preferred Shares and of the first two series of such shares to be so designated by the directors of the Company in order to effect the Merger and other information concerning the Merger are described in the Information Booklet to which the attention of Shareholders is specifically drawn. Conformed copies of the Merger and Amalgamation Agreement are available for inspection by Shareholders at the executive offices of the Company, 10th Floor, 20 King Street West, Toronto, Ontario and at the principal offices of The Royal Trust Company in each of the cities of St. John's (Nfld.), Montreal, Toronto and Calgary. In addition, copies of the Merger and Amalgamation Agreement are available to Shareholders without charge upon request made to the Secretary of the Company at its executive offices referred to above.**

The completion of the Merger and the performance by the Company of its obligations in connection therewith as provided for in the Merger and Amalgamation Agreement are subject to the satisfaction of a number of conditions, including approval pursuant to the Foreign Investment



Review Act (Canada) and approval by the shareholders of each of Conuco, Caballero, 91639 and Exalta, all as described in the Information Booklet.

### **Voting Shares and Principal Holders Thereof**

As of the date hereof there are outstanding in the hands of Shareholders 14,675,018 common shares of the Company's capital stock, without nominal or par value, and the holders thereof of record at the time of the Meeting will be entitled to one vote for each such share held at such Meeting. In addition there are 9,973,067 shares of the Company, designated by legislation as Class A Shares of the Company, which are held by the Company, are not outstanding and will not be voted at the Meeting.

To the knowledge of the directors and senior officers of the Company, the only person or corporation which beneficially owns, directly or indirectly, more than 10% of the outstanding common shares of the Company is The Rio Tinto-Zinc Corporation Limited, 6 St. James's Square, London, England ("RTZ"). At the date hereof, RTZ owns 100 common shares directly, and through a subsidiary, Tinto Holdings Canada Limited, Suite 3209, Toronto-Dominion Centre, Toronto, Ontario ("Tinto"), RTZ beneficially owns indirectly 2,100 common shares. Thornwood Investments Limited (having the same address as Tinto), 80% of the outstanding shares of which is beneficially owned indirectly by RTZ and 20% of the outstanding shares of which is beneficially owned indirectly by Bethlehem Steel Corporation, Bethlehem, Pa., U.S.A. ("Bethlehem"), owns 12,113,831 common shares. For the purpose of certain securities legislation RTZ is therefore deemed to own beneficially on the date hereof 12,116,031 or 82.5% of the outstanding common shares of the Company. RTZ's net beneficial interest in the common share equity of the Company is 66.0% and that of Bethlehem is 16.5%. Marubeni Corporation and The Fuji Bank, Limited are the beneficial owners of an aggregate of 1,200,000, or 8.2% of the outstanding common shares of the Company.

Upon a show of hands, every Shareholder present in person and every proxy who is not a Shareholder and who represents a Shareholder entitled to vote shall have one vote only.

Upon a poll, which may be demanded by the Chairman of the Meeting or by Shareholders representing not less than 5% of the shares represented at the Meeting in person or by proxy and entitled to vote, every such Shareholder shall have one vote for each common share of the Company registered in his name. A Shareholder may appoint another person, who need not be a Shareholder of the Company, as his proxy to attend and vote in his place and stead; where a corporation, being a Shareholder entitled to vote, is present by proxy, or by a person duly appointed who is not a Shareholder, such proxy or person shall, in addition to voting on a poll, be entitled to vote for such corporation upon a show of hands.

The instrument appointing the proxy must be in writing under the hand of the Shareholder or his attorney, duly authorized in writing or, if the Shareholder is a corporation either under its corporate seal or under the hand of an officer or its attorney duly authorized.

The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, to be effective, must be deposited with The Royal Trust Company, P.O. Box 7500, Station "A", Toronto, Ontario M5W 1P9, not less than forty-eight hours before the time appointed for holding the Meeting or adjourned Meeting at which the person named in the instrument proposes to vote. The instrument appointing a proxy shall be valid only for the Meeting for which it is given or any adjournment thereof.

### **Voting of Shares Represented by Management Proxy**

The accompanying form of proxy confers discretionary voting authority upon the persons designated therein. The shares represented by any valid Instrument of Proxy in the said form and appointing the persons named therein to represent the Shareholder at the Meeting will be voted in accordance with the directions of the Shareholder as specified in the Instrument of Proxy in



respect of each Resolution referred to in the Notice of Meeting. In the absence of such directions the shares represented by such Instrument of Proxy will be voted in favor of each such Resolution.

Management is not aware of any matters other than those identified in the Notice of Meeting that may come before the Meeting. If, however, other matters properly come before the Meeting, or there are any amendments or variations to matters identified in the Notice of Meeting, the persons designated in the accompanying form of proxy will vote thereon in accordance with their best judgment pursuant to the discretionary authority conferred by the Instrument of Proxy with regard to such matters.

#### **Designation of Persons Other Than Those Named in the Management Proxy**

Each Shareholder has the right to designate as his proxy a person other than those designated in the accompanying form of proxy to attend and vote for such Shareholder at the Meeting. Any Shareholder desiring to exercise such right may do so by striking out the names of the persons designated in the accompanying form of proxy and inserting, in the space provided, the name of the person he wishes to designate as his proxy, or he may do so by executing an instrument appointing a proxy in a form similar to the accompanying form of proxy.

#### **Revocability of Proxy**

A Shareholder giving a proxy has power to revoke it at any time before it has been exercised, provided notice in writing of such revocation shall have been received by the Company at its office, 20 King Street West, Toronto, Ontario M5H 1C4, at least forty-eight hours before the commencement of the Meeting or adjourned Meeting at which the Instrument of Proxy is to be used.

Dated as of the 22nd day of August, 1979.

By Order of the Board,

Norbert M. Peters  
Vice-President and Secretary

## **RESOLUTIONS**

RESOLUTION NO. 1 — To be proposed as a special resolution "Merger and Amalgamation Agreement".

BE IT RESOLVED THAT the execution and delivery by the Company of the Merger and Amalgamation Agreement made as of June 13, 1979 among Conuco Limited, Caballero Exploration Ltd., Canada 91639 Limited, Exalta Petroleums Ltd. and the Company and the performance by the Company of its obligations therein provided for be and the same are hereby approved and authorized.

RESOLUTION NO. 2 — To be proposed as a special resolution “Increase in Authorized Capital”.

BE IT RESOLVED THAT:

- A. The authorized share capital of the Company be increased by the creation of ten million (10,000,000) preferred shares with a par value of \$5.50 each, issuable by the directors of the Company in series (the “Preferred Shares”) having the terms and conditions set forth below.
- B. The Preferred Shares shall as a class have attached thereto the following terms and conditions (collectively the “Preferred Shares Class Provisions”):

**Interpretation**

- 1. (a) The following words and phrases wherever used in these Preferred Share Class Provisions shall have the following meanings, unless there be something in the context inconsistent therewith:
  - “Act” means The Companies Act, Revised Statutes of Newfoundland 1970, Chapter 54, as the same may be from time to time amended, re-enacted or replaced.
  - “Common Shares” means the common shares without nominal or par value of the Company.
  - “directors” means the board of directors of the Company for the time being and reference without more to action by the directors shall mean action by the directors as a board or by any authorized committee thereof.
  - “Junior Shares” means the Common Shares and any other class of shares of the Company which ranks after or is subordinated to the Preferred Shares as to payment of dividends and/or as to return of capital.
- (b) Words importing the singular number only shall include the plural and vice versa and words importing the masculine gender shall include the feminine gender and vice versa and words importing persons shall include firms, associations and corporations and vice versa.

**Issue in Series**

- 2. The Preferred Shares may at any time and from time to time be issued in one or more series, each series to consist of such number of shares as may, before issuance thereof, be determined by the directors.

**Directors’ Determination of Terms and Conditions Attaching to the Preferred Shares**

- 3. The directors may from time to time by resolution fix before issuance the designation, rights, privileges, preferences, restrictions and conditions to attach to the Preferred Shares of each series including, without limiting or restricting the generality of the foregoing, preferential dividends (if any), the rate, amount or method of calculation of such dividends, whether cumulative, non-cumulative or partially cumulative, the currency or currencies of payment and the date or dates and places of payment thereof; the restrictions, if any, respecting payment of dividends on any Junior Shares; the rights of the Company, if any, to redeem any Preferred Shares of such series, the consideration for and terms and conditions of any such redemption and the restrictions, if any, upon the reissue of any Preferred Shares of such series so redeemed; the terms and conditions of any redemption fund or sinking fund or similar fund providing for



the redemption of Preferred Shares of such series; the rights of retraction, if any, vested in the holders of Preferred Shares of such series and the prices and other terms and conditions of any rights of retraction; voting rights (if any); conversion or exchange rights (if any) into other shares or securities of the Company and the terms and conditions of any other provisions attaching to the Preferred Shares of such series.

#### **Rateable Participation in Respect of Cumulative Dividends and Return of Capital**

4. When any fixed cumulative dividends or amounts payable on a return of capital are not paid in full, the cumulative Preferred Shares of all series shall participate rateably with all shares if any, ranking on a parity with the Preferred Shares with respect to payment of dividends, in respect of such dividends (but only to the extent of and in those cases where a series of Preferred Shares bears cumulative preferential dividends) including accumulated dividends, if any, in accordance with the sums which would be payable on the cumulative Preferred Shares and such other shares if all such dividends were declared and to be paid in full, and Preferred Shares shall participate equally and rateably with all shares, if any, ranking on a parity with the Preferred Shares with respect to return of capital in respect of any return of capital in accordance with the sums which would be payable on the Preferred Shares and such other shares on such return of capital if all sums so payable were paid in full in accordance with their terms.

#### **Preferences**

5. The Preferred Shares shall, with respect to the payment of accumulated dividends, be entitled to preference over Junior Shares ranking junior to the Preferred Shares as to payment of dividends, and, with respect to the distribution of assets in the event of the liquidation, dissolution or winding up of the Company or other distribution of assets of the Company among shareholders for the purpose of winding up its affairs, whether voluntary or involuntary, be entitled to preference over the Junior Shares ranking junior to the Preferred Shares as to return of capital. Subject as aforesaid and to clause 6 of these Preferred Shares Class Provisions, the Preferred Shares may also be given such other preferences over the Junior Shares as may be determined in the case of each series of Preferred Shares authorized to be issued.

#### **Parity**

6. The Preferred Shares of each series shall rank on a parity with the Preferred Shares of every other series with respect to the payment of dividends (but only to the extent of and in those cases where a series of Preferred Shares bears dividends) and in the distribution of assets of the Company among shareholders for the purpose of winding-up its affairs, whether voluntary or involuntary; provided, however, that in case such assets are insufficient to pay in full the amount due on all the Preferred Shares then outstanding, then such assets shall be applied firstly, to the payment equally and rateably of an amount equal to the capital paid up on the Preferred Shares of each series and the premium thereon, if any, secondly, pro rata to the payment of accrued and unpaid cumulative dividends (if any) and thirdly, pro-rata, to the payment of declared and unpaid non-cumulative dividends (if any), as the case may be, in accordance with the provisions of clause 5 of these Preferred Shares Class Provisions mutatis mutandis.

#### **Creation and Issue of Additional Preferred Shares**

7. Nothing herein contained shall require or be deemed to require any sanction from the holders of the Preferred Shares or any of them for the creation of additional preferred shares (other than preferred shares which by their terms rank prior to the Preferred Shares in any respect), provided:
  - (a) that the conditions, if any, set forth in any resolution of the directors with respect to any series of the Preferred Shares shall have been complied with; and



- (b) that the Company may not, without the sanction of the holders of the Preferred Shares given as hereinafter specified, cause any such additional preferred shares to rank prior to the Preferred Shares in any respect or, unless such additional preferred shares shall be Preferred Shares, to rank on a parity with the Preferred Shares in all respects,

and it is a term of the issue of any of the Preferred Shares that the holders thereof consent to the creation of any such additional preferred shares.

### **No Pre-Emptive Right**

8. The holders of the Preferred Shares shall not as such be entitled as of right to subscribe for or purchase or receive any part of any issue of shares or other securities of the Company now or hereafter authorized otherwise than in accordance with the conversion, exchange or other rights if any, which may from time to time attach to any series of the Preferred Shares.

### **Redemption**

9. Subject to the provisions of the Act and to the provisions relating to the Preferred Shares of any series, the Company may, upon giving notice as hereinafter provided, redeem at any time the whole or from time to time any part of the then outstanding Preferred Shares of any series on payment for each share to be redeemed of the par value thereof together with (i) such premium (if any) determined for that purpose in respect of such series plus, (ii) in the case of cumulative Preferred Shares, an amount equal to all unpaid cumulative dividends (which for such purpose, shall be calculated as if such dividends were accruing from day to day for the period from the expiration of the last period for which dividends have been paid up to and including the date of such redemption), and (iii) in the case of non-cumulative Preferred Shares, all declared and unpaid non-cumulative dividends. In case the Company desires to redeem part only of the Preferred Shares of any series, the shares of such series to be redeemed shall be selected by lot in such manner as the directors may determine or, if the directors so determine, may be redeemed pro rata disregarding fractions.

### **Procedure on Redemption**

10. In any case of redemption of Preferred Shares of any series under the provisions of clause 9 of these Preferred Shares Class Provisions, the Company shall, at least thirty (30) days before the date specified for redemption, mail to each person who at the date of mailing is a registered holder of Preferred Shares of such series to be redeemed a notice in writing of the intention of the Company to redeem such last-mentioned shares. Such notice shall be mailed in an envelope, postage prepaid, addressed to each such shareholder at his address as it appears on the books of the Company or in the event of the address of any such shareholder not so appearing then to the last known address of such shareholder; provided, however, that accidental failure or omission to give any such notice to one (1) or more of such holders shall not affect the validity of such redemption. Such notice shall set out the redemption price and the date on which redemption is to take place and if part only of the Preferred Shares of such series held by the person to whom it is addressed is to be redeemed the number thereof so to be redeemed. On or after the date so specified for redemption the Company shall pay or cause to be paid to or to the order of the registered holders of the Preferred Shares of such series to be redeemed the redemption price thereof on presentation and surrender, at the registered office of the Company or any other place within Canada designated in such notice, of the certificates representing the Preferred Shares of such series so called for redemption. Such payment shall be made by cheques payable at par at any branch of the Company's bankers for the time being in Canada. If a part only of the Preferred Shares of such series represented by any certificate shall be redeemed, a

new certificate for the balance shall be issued at the expense of the Company. From and after the date specified for redemption in any such notice the Preferred Shares of such series called for redemption shall cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the redemption price shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected. The Company may include in any such notice a statement that the moneys required for the payment of the redemption price have been deposited or will be deposited on or before the opening of business on the date specified for redemption or a specified date prior to such date with a specified chartered bank or a specified trust company in Canada in trust for the respective holders of such shares to be paid to them respectively upon surrender to such bank or trust company of the certificate or certificates representing same, or that the Company has set aside such moneys or will be setting aside such moneys on or before the opening of business on the date specified for redemption or a specified date prior to such date in trust for the respective holders of such shares to be paid to them respectively upon surrender to the Company of the certificate or certificates representing the same and upon (i) the giving of such notice, and (ii) such deposit being made or such moneys being set aside, whichever is the later, such shares shall be deemed to be redeemed and all rights of the holders of such shares as against the Company shall be limited to receiving the amount so deposited or set aside without interest and such holders shall cease to be entitled to dividends or any other participation in the assets of the Company and shall not be entitled to exercise any other rights as holders of the Preferred Shares so redeemed.

#### **Amendments**

11. The provisions of clauses 1 to 12, inclusive hereof, or any of them, may be repealed, altered, modified, amended or amplified only with the sanction of the holders of the Preferred Shares given as hereinafter specified in addition to any other approval required by the Act.

#### **Sanction by Holders of Preferred Shares**

12. The sanction of holders of the Preferred Shares or of any series of the Preferred Shares as to any and all matters referred to herein or as to any change adversely affecting the rights or privileges of the Preferred Shares or of such series may, subject to the provisions (if any) applicable to such series, be given by resolution passed at a meeting of such holders duly called for such purpose and held upon at least twenty-one (21) days' notice at which the holders of at least a majority of the outstanding Preferred Shares or Preferred Shares of such series, as the case may be, are present or represented by proxy and carried by the affirmative vote of the holders of not less than sixty-six and two-thirds per cent ( $66\frac{2}{3}\%$ ) of the Preferred Shares or Preferred Shares of such series, as the case may be, represented and voted at such meeting cast on a poll. If at any such meeting the holders of a majority of the outstanding Preferred Shares or Preferred Shares of such series, as the case may be, are not present or represented by proxy within half an hour after the time appointed for the meeting then the meeting shall be adjourned to such date being not less than fourteen (14) days later and to such time and place as may be appointed by the chairman and at least ten (10) days' notice shall be given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called. At such adjourned meeting the holders of Preferred Shares or Preferred Shares of such series, as the case may be, present or represented by proxy shall constitute a quorum and may transact the business for which the meeting was originally convened and a resolution passed thereat by the affirmative vote of the holders of not less than sixty-six and two-thirds per cent ( $66\frac{2}{3}\%$ ) of the Preferred Shares or Preferred Shares of such series, as the

case may be, represented and voted at such adjourned meeting cast on a poll shall constitute the sanction of the holders of Preferred Shares or Preferred Shares of such series referred to in this clause 12. The formalities to be observed with respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those which may from time to time be prescribed in the Memorandum or Articles of Association of the Company with respect to meetings of shareholders. On every poll taken at every such meeting or adjourned meeting every holder of Preferred Shares shall be entitled to one (1) vote in respect of each Preferred Share held.

- C. As a result of the creation of the Preferred Shares referred to in paragraph A, the authorized capital of the Company shall consist of thirty-five million (35,000,000) common shares without nominal or par value and ten million (10,000,000) Preferred Shares and the Memorandum of Association of the Company be modified and altered accordingly.
- D. The directors and proper officers of the Company be and they are respectively authorized to execute such documents and to take such other action as they consider necessary or desirable to implement this resolution.







AR30

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Brinco

"Trading in Commodities Futures"

MEMORANDUM OF AGREEMENT made as of the 20th day of August, 1980.

B E T W E E N:

TINTO HOLDINGS CANADA LIMITED,  
a corporation incorporated under  
the laws of the Province of Ontario,  
INTEROCEAN SHIPPING COMPANY,  
a corporation incorporated under  
the laws of Liberia,  
MARUBENI CORPORATION,  
a corporation incorporated under  
the laws of Japan, and  
THE FUJI BANK, LIMITED,  
a bank constituted under the laws of Japan,  
(hereinafter respectively called "Tinto",  
"Interocean", "Marubeni" and "Fuji" and  
sometimes collectively called the  
"Vendors" or individually a "Vendor"),

OF THE FIRST PART,

- and -

OLYMPIA & YORK DEVELOPMENTS LIMITED,  
a corporation incorporated under the  
laws of the Province of Ontario,  
(hereinafter called the "Purchaser"),

OF THE SECOND PART.

WHEREAS the Vendors beneficially own the following number of Common Shares of Brinco, respectively:

Tinto	9,693,165
Interocean	2,422,766
Marubeni	1,000,000
Fuji	200,000
	<u>13,315,931</u>

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the covenants, agreements, warranties and payments herein set out and provided for, the parties hereto hereby respectively covenant and agree as follows:

1. Defined Terms.

Where used herein or in any amendments hereto, the following terms shall have the following meanings respectively:

New York Institute  
of Finance, 1979  
70 Pine St  
New York,  
New York,

signatures are being made  
July 30, 31



1.1 "Brinco" means Brinco Limited, a corporation incorporated under the laws of the Province of Newfoundland;

1.2 "Common Shares" means the common shares without nominal or par value in the capital of Brinco;

1.3 "Closing Date" means the date on which the transaction contemplated by the Subscription Agreement shall close, provided however that such date shall not in any event be later than December 31, 1980;

1.4 "Deferred Payment Date" means the 5th business day following the earlier of (i) the 5th anniversary of the Closing Date and (ii) the 1st day subsequent to the 3rd anniversary of the Closing Date on which the Trading Price is \$13 or more, provided that such day shall not be earlier than 90 days subsequent to the 3rd anniversary of the Closing Date;

1.5 "Formula Price" means the result obtained when, in the case of Tinto, 3,471,831 is multiplied by, or, in the case of Marubeni, 358,169 is multiplied by:

- (a) in respect of any payment to be made to such a Vendor prior to the 3rd anniversary of the Closing Date pursuant to an Offer, the dollar amount obtained when \$10 is divided by the Average Factor, provided that such dollar amount shall not be less than \$7.50; and
- (b) in respect of any payment to be made to such a Vendor on or subsequent to the 3rd anniversary of the Closing Date pursuant to an Offer, the sum of \$10;

For the purposes of the definition of "Formula Price":

"Factor" means the quotient obtained when a Final Amount is divided by 10,000,000;

"Final Amount" means:

- (a) \$10,000,000, plus
- (b) (i) all interest payable on a deposit of \$10,000,000 for a fixed term equal to the Period which a Bank quotes that it would pay to an investor as a single payment on the last day of such fixed





term if such a deposit were made with that Bank, provided at least three Banks are prepared to quote an interest payment on the foregoing basis; or

- (b)(ii) if there are not at least three Banks which are prepared to quote interest payable on the basis described in clause (b)(i), the aggregate of all interest payments (based on semi-annual payments) which a Bank quotes that it would pay on a deposit of \$10,000,000 for a fixed term equal to the Period based on such Bank's Deposit Rate plus all interest that would accrue on such interest payments if such interest payments were deposited with the Bank at the Deposit Rate from and including the date of each such interest payment to but excluding the last day of such fixed term;

The cost, if any, of obtaining a quotation from a Bank of the interest payable for the purposes of the calculation of a Final Amount shall be borne equally by the Purchaser and the Vendor requesting such quotation;

"Average Factor" means the average of the 3 Factors resulting from the calculation of the 3 Final Amounts which in turn result from quotations of interest payable for the purposes of such calculation from 3 Banks selected by the Vendor;

"Bank" means any of the Bank of Montreal, The Royal Bank of Canada, The Toronto-Dominion Bank, The Bank of Nova Scotia and the Canadian Imperial Bank of Commerce, which is requested by a Vendor to provide a quotation of the interest payable for the purposes of calculating a Final Amount;

"Offer" means an offer to satisfy in full the balance of the Purchase Price referred to in clauses (a)(ii) and (c)(ii) of paragraph 3.1 made by the Purchaser pursuant to paragraph 3.3 hereof;

"Period" means the period from and including the day on which payment is made pursuant to an Offer to and including the day which is 90 days after the 3rd anniversary of the Closing Date, provided



that in determining interest for the purposes of the calculation of a Final Amount the last day of any fixed term equal to the Period shall be ignored; and

"Deposit Rate" means the rate of interest (expressed on a per annum basis) payable semi-annually quoted by a Bank for a deposit of \$10,000,000 for a fixed term equal to the Period;

1.6 "Series C Preferred Shares" means the 8% cumulative convertible preferred shares series C with a par value of \$5.50 each of Brinco;

1.7 "Shareholders' Agreement" means the agreement dated of even date herewith entered into between the Purchaser and Tinto which contains provisions governing the relationship of the Purchaser, Tinto and others as shareholders of Brinco which are to become effective upon the closing of the transactions contemplated by this agreement and by the Subscription Agreement;

1.8 "Subscription Agreement" means the agreement made as of even date herewith between the Purchaser and Brinco providing for the subscription and purchase by the Purchaser from Brinco and the issue and sale by Brinco of 7,272,728 8% cumulative convertible preferred shares series C with a par value of \$5.50 each in the capital of Brinco, as the same may be amended;

1.9 "Time of Closing" means 10:00 a.m. (Toronto time) on the Closing Date;

1.10 "Trading Price" as of any date means the weighted average of all board lot trading prices per share of the Common Shares on The Toronto Stock Exchange (or, if the Common Shares are not listed on The Toronto Stock Exchange, on such stock exchange on which the Common Shares are listed as may be selected for such purpose by the directors of Brinco) during all trading days occurring during the period of 90 days immediately prior to the 4th day preceding such date; provided that if the number of Common Shares traded during the said 90 day period is less than 100,000, such period of time shall be extended backward before the commencement of such 90 day period by such an additional number of trading days as may be required to permit not less than 100,000 Common Shares to have been traded during the trading days occurring during the initial 90 day period as so extended and the Trading Price shall be calculated as aforesaid for the increased number of trading days; and





further provided that in the event that the Common Shares are not listed on any stock exchange, the Trading Price of the Common Shares shall be determined by the directors of Brinco as aforesaid based on trading in the over-the-counter market;

1.11 The terms "Purchased Shares", "such Vendor's Purchased Shares" and "Purchase Price" shall have the respective meanings attributed in paragraphs 2.1 and 3.1; and

1.12 All dollar amounts referred to in this agreement are in Canadian funds.

## 2. Purchase of Purchased Shares.

2.1 Subject to the terms and conditions hereof, each of the Vendors severally covenants and agrees to sell, assign and transfer to the Purchaser and the Purchaser covenants and agrees to purchase from each Vendor all (but not less than all) of the Common Shares set out below opposite the name of such Vendor for a purchase price determined and payable in accordance with the provisions of Article 3 hereof:

<u>Name of Vendor</u>	<u>No. of Common Shares</u>
Tinto	4,267,029
Interocean	2,422,766
Marubeni	440,205
Fuji	200,000
	<u>7,330,000</u>

The 7,330,000 Common Shares to be sold by the Vendors and purchased by the Purchaser hereunder are hereinafter sometimes collectively referred to as the "Purchased Shares" and the Common Shares to be sold by a Vendor hereunder as aforesaid are hereinafter sometimes referred to as "such Vendor's Purchased Shares".

2.2 In the event that the obligations of the Purchaser to subscribe for and purchase the 7,272,728 Preferred Shares Series C under the Subscription Agreement are terminated, discharged or expire and are of no further force or effect, the respective obligations of the Vendors and the Purchaser hereunder shall also be terminated and discharged and of no further force or effect without any liability or obligation between or among the parties hereto.



2.3 Notwithstanding anything herein contained, Olympia & York Developments Limited shall be entitled to transfer and assign its right, title and interest in and to this agreement and its rights to purchase the Purchased Shares hereunder to its wholly owned subsidiary, Olympia & York Investments Limited, and upon such transfer and assignment, the term "Purchaser" herein shall include Olympia & York Investments Limited, provided that any such transfer and assignment shall not relieve Olympia & York Developments Limited from or otherwise affect its obligations set out herein in accordance with their terms.

3. Purchase Price and Security Therefor.

3.1 Subject to paragraph 3.3 hereof, the aggregate purchase price (the "Purchase Price") for the Purchased Shares shall be the sum of the amounts set forth in the following subparagraphs of this paragraph 3.1:

- (a) the consideration payable by the Purchaser for the 4,267,029 Common Shares to be sold by Tinto shall be the sum of
  - (i) \$5,963,985; and
  - (ii) the dollar amount resulting when 3,471,831 is multiplied by the lesser of (A) \$10 and (B) the Trading Price as of the 5th business day prior to the Deferred Payment Date;
- (b) the consideration payable by the Purchaser for the 2,422,766 Common Shares to be sold by Interocean shall be \$18,170,745;
- (c) the consideration payable by the Purchaser for the 440,205 Common Shares to be sold by Marubeni shall be the sum of
  - (i) \$615,270, and
  - (ii) the dollar amount resulting when 358,169 is multiplied by the lesser of (A) \$10 and (B) the Trading Price as of the 5th business day prior to the Deferred Payment Date; and
- (d) the consideration payable by the Purchaser for the 200,000 Common Shares to be sold by Fuji shall be \$1,500,000.





3.2 Those portions of the Purchase Price referred to in clauses (a)(i) and (c)(i) and in subparagraphs (b) and (d) of paragraph 3.1 shall be payable at the Time of Closing, and, subject to paragraph 3.3 hereof, the balance of the Purchase Price referred to in clauses (a)(ii) and (c)(ii) of paragraph 3.1 shall be payable on the Deferred Payment Date. All payments on account of the Purchase Price shall be payable by certified cheque or banker's draft payable at par in Toronto to or to the order of the Vendor entitled thereto.

3.3 The Purchaser shall have the right at any time to offer to pay the Formula Price to each of Tinto and Marubeni in satisfaction of the full balance of the Purchase Price owed to such Vendor referred to in clause (a)(ii) or clause (c)(ii) of paragraph 3.1, as the case may be. Any such offer shall be accepted or rejected by such Vendor within 10 business days following the making of such offer, failing which such Vendor shall be deemed to have rejected such offer. If such offer is accepted by such Vendor, payment of the Formula Price shall be made on the 5th business day following such acceptance and the obligation of the Purchaser to pay such full balance of the Purchase Price to such Vendor shall be fully satisfied upon payment by the Purchaser to such Vendor of the Formula Price for that Vendor.

3.4 As security for the payment of the balance of the Purchase Price payable to Tinto and Marubeni on the Deferred Payment Date, the Purchaser shall obtain and deliver at the Time of Closing a letter of credit in favour of Tinto (the "Tinto Letter of Credit") substantially in the form and on the terms of the draft letter of credit annexed hereto as Schedule "A" and a letter of credit in favour of Marubeni (the "Marubeni Letter of Credit") substantially in the form and on the terms of the draft letter of credit annexed hereto as Schedule "B", each of which shall be issued by a Canadian chartered bank acceptable to the Purchaser and the Vendor receiving such letter of credit. All costs and expenses payable to the said Canadian chartered bank in connection with the issuance of the Tinto Letter of Credit and of any renewal or replacement thereof shall be borne equally between the Purchaser and Tinto. All costs and expenses payable to the said Canadian chartered bank in connection with the issuance of the Marubeni Letter of Credit and of any renewal or replacement thereof shall be borne equally between the Purchaser and Marubeni. Upon the payment by the Purchaser to Tinto or Marubeni of the balance of the Purchase Price payable on the Deferred Payment Date



or upon the payment by the Purchaser to Tinto or Marubeni of the Formula Price, whichever shall first occur, Tinto or Marubeni shall re-deliver to the Purchaser the Tinto Letter of Credit or the Marubeni Letter of Credit, as the case may be, for cancellation.

4. Covenants, Representations and Warranties of the Vendors.

Each of the Vendors severally covenants, represents and warrants in respect of itself and such Vendor's Purchased Shares as follows and acknowledges that the Purchaser is relying upon such covenants, representations and warranties in connection with the purchase by the Purchaser of such Vendor's Purchased Shares:

4.1 All of such Vendor's Purchased Shares are owned by such Vendor as the sole beneficial owner of record, with a good and marketable title thereto, free and clear of any and all mortgages, liens, charges, restrictions, security interests, adverse claims, pledges, encumbrances and demands whatsoever, and are issued and outstanding as fully paid and non-assessable;

4.2 No person, firm or corporation has any agreement or option, or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement or option, for the purchase, acquisition or transfer from such Vendor of any of such Vendor's Purchased Shares or any interest therein or right thereto, except the Purchaser pursuant hereto;

4.3 Such Vendor does not act as trustee, executor, administrator or other legal representative on behalf of any other person, firm or corporation in respect of such Vendor's Purchased Shares and such Vendor did not acquire such Vendor's Purchased Shares within the 2 years preceding the date hereof with the intent that they be sold hereunder;

4.4 Such Vendor is a validly subsisting corporation under the laws of the jurisdiction of its incorporation and has all necessary corporate power and authority to execute and deliver this agreement and to sell such Vendor's Purchased Shares to the Purchaser hereof pursuant to the provisions of this agreement;

4.5 The execution and delivery of this agreement has





been duly authorized by any necessary corporate action on behalf of such Vendor and the entering into of this agreement and the consummation of the transactions contemplated hereby will not result in a material breach or violation of and are not in material conflict with any of the terms or provisions of the constating or charter documents or by-laws of such Vendor, of any mortgage, note, indenture or other agreement, written or oral, to which such Vendor may be a party or by which it or any of its properties may be bound, or any material statute, regulation, by-law, ordinance or other law (domestic or foreign) or any judgment, decree, ruling or order to which such Vendor or its property may be subject and such Vendor does not require any governmental, regulatory or other approvals (domestic or foreign) with respect to the consummation of the transactions herein contemplated that have not previously been obtained or that are not referred to in Article 8 of this agreement;

4.6 This agreement has been duly executed and delivered by or on behalf of such Vendor;

4.7 Tinto shall apply for and use its best efforts to obtain as soon as practicable the approval of the Treasury Board of the United Kingdom referred to in paragraph 8.5 hereof;

4.8 Neither Tinto nor Marubeni beneficially owns, directly or indirectly, any shares of Brinco, or securities convertible into shares of Brinco, in excess of those set out opposite their respective names in the first recital to this agreement and neither of them will acquire any additional shares of Brinco, or securities convertible into shares of Brinco, from and including the date hereof up to and including the Closing Date;

4.9 Each of the Vendors agrees to file a Form 19 Report under the Regulations to The Securities Act, 1978 (Ontario) within 10 days following the Closing Date in respect of the sale by it to the Purchaser of such Vendor's Purchased Shares; and

4.10 Each of Marubeni and Fuji shall apply for and use its best efforts to obtain as soon as possible the approval of the Ministry of Finance of the Government of Japan referred to in paragraph 8.6 hereof with respect to such Vendor's Purchased Shares.



**5. Covenants, Representations and Warranties of the Purchaser.**

The Purchaser covenants, represents and warrants to each of the Vendors as follows and acknowledges that each Vendor is relying upon such covenants, representations and warranties in connection with the sale by such Vendor of such Vendor's Purchased Shares:

5.1 Each of the Purchaser and Olympia & York Investments Limited is a validly subsisting corporation under the laws of the Province of Ontario and has all necessary corporate power and authority to execute and deliver this agreement and to purchase the Purchased Shares from the Vendors pursuant to the provisions hereof;

5.2 The execution and delivery of this agreement has been duly authorized by all necessary corporate action on behalf of the Purchaser and the entering into of this agreement and the consummation of the transactions contemplated hereby will not result in a material breach or violation of and are not in material conflict with any of the terms or provisions of the constating or charter documents or by-laws of the Purchaser, or of any mortgage, note, indenture, or other agreement, written or oral, to which the Purchaser may be a party or by which it or any of its properties may be bound or any material statute, regulation, by-law, ordinance or other law (domestic or foreign) or any judgment, decree, ruling or order to which the Purchaser or its properties may be subject and the Purchaser does not require any government, regulatory or other approval (domestic or foreign) with respect to the transaction herein contemplated;

5.3 This agreement has been duly executed and delivered by and on behalf of the Purchaser;

5.4 Olympia & York Investments Limited is a wholly-owned subsidiary of the Purchaser;

5.5 The Purchaser shall apply for and use its best efforts to obtain as soon as practicable the order of the Ontario Securities Commission referred to in paragraph 9.4;

5.6 The Purchaser agrees to execute and deliver to each Vendor at the Time of Closing Schedule 2 to Form 19 under the Regulations to The Securities Act, 1978 (Ontario) in respect of the purchase and sale of such Vendor's Purchased Shares; and





5.7 The Purchaser covenants to use its best efforts to cause the directors of Brinco to make the determinations contemplated by the term "Trading Price" at such times as shall be necessary for the purposes of paragraph 3.3 and the term "Deferred Payment Date".

6. Survival of Representations and Warranties.

6.1 The respective representations and warranties of the Vendors and the Purchaser contained in this agreement and contained in any document or certificate given pursuant hereto shall survive the closing of the purchase and sale of the Purchased Shares herein provided for and, notwithstanding such closing, nor any investigation made by or on behalf of any party hereto, shall continue in full force and effect for the benefit of the party to whom the representations and warranties are made for a period of 12 months following the Closing Date.

7. Conditions of Closing in Favour of Purchaser.

The sale and purchase of the Purchased Shares is subject to the following terms and conditions for the exclusive benefit of the Purchaser to be fulfilled and/or performed at or prior to the Time of Closing:

7.1 The respective representations and warranties of each of the Vendors contained in Article 4 hereof shall be true and correct as of the date hereof;

7.2 The respective representations and warranties of each of the Vendors contained in this agreement or in any certificate or other document delivered to the Purchaser pursuant hereto shall be true and correct on and as of the Closing Date with the same force and effect as though such representations and warranties had been made on and as of such date, and the Purchaser shall have received at the Time of Closing a certificate dated the Closing Date, in form satisfactory to counsel for the Purchaser, signed under seal by each Vendor to the effect that such representations and warranties referred to above are true and correct on and as of the Closing Date with the same force and effect as though made on and as of such date;

7.3 Each of the Vendors shall have complied with all covenants and agreements herein agreed to be performed or caused to be performed by it;

7.4 No action or proceeding in Canada, the United



Kingdom or in the respective jurisdictions of incorporation of the Vendors or the Purchaser, at law or in equity, shall be pending or threatened by any person, company, firm, governmental authority, securities commission, regulatory body or agency to enjoin or prohibit the purchase and sale of the Purchased Shares contemplated hereby or the right of the Purchaser to purchase or own the Purchased Shares or to suspend or cease or stop trading in shares of Brinco;

In case any of the foregoing conditions shall not be fulfilled and/or performed at or before the Closing Date, the Purchaser may rescind this agreement by notice to the Vendors and in such event the Purchaser shall be released from all obligations hereunder and unless the Purchaser can show that the condition or conditions for the non-performance of which the Purchaser has rescinded such agreement are reasonably capable of being performed or caused to be performed by the Vendors, then the Vendors shall also be released from all obligations hereunder; provided that any of the said conditions may be waived in whole or in part by the Purchaser without prejudice to its rights of rescission in the event of the non-fulfilment of any other condition or conditions, any such waiver to be binding on the Purchaser only if the same is in writing.

8. Conditions of Closing in Favour of the Vendors.

The sale and purchase of the Purchased Shares is subject to the following terms and conditions for the exclusive benefit of each Vendor to be fulfilled and/or performed at or prior to the Time of Closing:

8.1 The representations and warranties of the Purchaser contained in Article 5 hereof shall be true and correct as of the date hereof;

8.2 The representations and warranties of the Purchaser contained in this agreement or any certificate or other documents delivered to the Vendors pursuant to hereto shall be true and correct on and as of the Closing Date with the same force and effect as though such representations and warranties have been made on and as of such date and the Vendors shall have received at the Time of Closing a certificate dated the Closing Date, in form satisfactory to counsel for the Vendors, signed under seal by the Purchaser to the effect that such representations and warranties referred to above are true and correct on and as of the Closing Date with the same force and effect as though made on and as of such date;





8.3 The Purchaser shall have complied with all covenants and agreements herein agreed to be performed or caused to be performed by it;

8.4 No action or proceeding in Canada, the United Kingdom or in the respective jurisdictions of incorporation of the Vendors or the Purchaser, at law or in equity, shall be pending or threatened by any person, company, firm, governmental authority, securities commission, regulatory body or agency to enjoin or prohibit a purchase and sale of the Purchased Shares contemplated hereby or the right of each Vendor to own and sell such Vendor's Purchased Shares or to suspend or stop trading in shares of Brinco;

8.5 Tinto shall have received the approval of the Treasury Board of the United Kingdom to the sale of such Vendor's Purchased Shares to Purchaser pursuant to this agreement on terms and conditions satisfactory to it; and

8.6 Each of Marubeni and Fuji shall have received the approval of the Ministry of Finance of the Government of Japan to the sale of such Vendor's Purchased Shares to the Purchaser pursuant to this agreement on terms and conditions satisfactory to each of them respectively;

In case any of the foregoing conditions shall not be fulfilled and or performed at or before the Closing Date, a Vendor may rescind this agreement by notice to the Purchaser and in such event each Vendor shall be released from all obligations hereunder and unless the Vendors can show that the conditions or conditions for the non-performance of which such Vendor has rescinded the agreement are reasonably capable of being performed or caused to be performed by the Purchaser, then the Purchaser shall also be released from all obligations hereunder; provided that any of the said conditions may be waived in whole or in part by the Vendors without prejudice to their rights of rescission in the event of the non-fulfilment of any other condition or conditions, any such waiver to be binding on the Vendors only if the same is in writing.

## 9. Mutual Conditions of Closing.

The obligations of the Vendors to sell the Purchased Shares and of the Purchaser to purchase the Purchased Shares are subject to and conditional upon prior compliance with each of the following conditions precedent, it being agreed that such conditions precedent are to be



fulfilled and/or performed at or prior to the Time of Closing for the mutual benefit of the Vendors and the Purchaser and may be waived by them only jointly in whole or in part in writing:

9.1 The Minister responsible for the Foreign Investment Review Act (Canada) ("FIRA") shall have issued an opinion pursuant to subsection 4(1) of FIRA, on terms satisfactory to the Purchaser and to the Vendors, to the effect that Brinco is not or will not be, as a result of the consumation of the transactions contemplated by this agreement and the Subscription Agreement, a non-eligible person (as defined in FIRA);

9.2 None of the Cassiar Share Vendors, as defined in the Subscription Agreement, shall have been discharged, or be entitled at law or in equity to be discharged, in whole or in part, from their obligations pursuant to the Cassiar Purchase Agreement, as defined in the Subscription Agreement, and there shall not have occurred any variation in or amendment of the Cassiar Purchase Agreement unless same has been consented to by the Vendors and the Purchaser in writing and the Cassiar Purchase Agreement shall be at the Closing Date in full force and effect and shall not have terminated in accordance with its terms or otherwise;

9.3 All conditions precedent to the completion of the transactions contemplated by the Subscription Agreement shall have been fulfilled or waived, the completion of such transaction shall have occurred contemporaneously with the closing of the purchase and sale of the Purchased Shares hereunder and the Purchaser shall have duly acquired and become the registered owner of the 7,272,728 Series C Preferred Shares to be issued by Brinco to it thereunder;

9.4 The Ontario Securities Commission shall have issued an order, on terms and conditions satisfactory to the Purchaser and to the Vendors, exempting the Purchaser from the requirements of Part XIX of The Securities Act, 1978 (Ontario) to make a follow-up offer under subsection 91(1) of The Securities Act, 1978 (Ontario) in respect of Common Shares other than the Purchased Shares.

9.5 Definitive certificates representing all of the Purchased Shares shall be duly delivered by all the Vendors to the Purchaser for purchase by the Purchaser hereunder. The Purchaser shall be under no obligation to purchase less than all of the Purchased Shares and each Vendor shall be under no obligation to sell such Vendor's Purchased Shares





unless all the Purchased Shares are sold to and purchased by the Purchaser hereunder, provided that no party hereto shall be entitled to the benefit of this condition if it is in default of any agreement or covenant herein contained.

10. Closing Arrangements.

10.1 The closing shall take place at the Time of Closing on the Closing Date at the executive offices of Brinco;

10.2 At the Time of Closing on the Closing Date, upon fulfilment of all the conditions set out in Article 7 which have not been waived in writing by the Purchaser, the fulfilment of all the conditions set out in Article 8 which have not been waived in writing by the Vendors, and upon the fulfilment of all the mutual conditions set out in Article 9 which have not been waived in writing by the Purchaser and the Vendors, each Vendor severally agrees to deliver to the Purchaser definitive certificate(s) representing such Vendor's Purchased Shares duly endorsed in blank for transfer or with duly endorsed stock transfer powers of attorney annexed thereto, in either case in duly deliverable and transferable form for transfer and assignment of the shares to the Purchaser and with signatures duly guaranteed by a Canadian chartered bank and all exigible security transfer taxes paid, and definitive certificate(s) representing such Vendor's Purchased Shares registered in the name of the Purchaser shall be duly issued by Brinco, countersigned by the transfer agent and registrar for the Common Shares and registered on the books of Brinco in exchange for the certificate(s) so delivered by the Vendors to the Purchaser.

11. Brokers.

11.1 Each of the Vendors covenants and agrees with the Purchaser and each other Vendor and the Purchaser covenants and agrees with each Vendor to indemnify and save harmless the other from and against any claims whatsoever for any commission or other remuneration payable or alleged to be payable to any broker, agent or other intermediary who has acted for the covenanting party in connection with the sale or purchase of the Purchased Shares.

12. Expenses.

12.1 Except as otherwise specifically provided in this agreement, all legal, accounting and other costs and expenses incurred in connection with this agreement and the



transactions contemplated hereby shall be paid by the party incurring such expenses.

13. Notices.

13.1 Any notice, direction or other instrument required or permitted to be given to any of the Vendors hereunder shall be in writing and may be given by mailing the same postage prepaid or delivering the same in Toronto, Ontario, to:

if to Tinto at:

Suite 3209,  
Toronto-Dominion Bank Tower,  
Toronto-Dominion Centre,  
Toronto, Ontario.

if to Interocean at:

c/o Bethlehem Steel Export  
Company of Canada Ltd.,  
49th Floor,  
Box 70,  
Toronto-Dominion Bank Tower,  
Toronto-Dominion Centre,  
Toronto, Ontario. M5K 1E7

if to Marubeni at:

Suite 2700,  
Simpson Tower,  
401 Bay Street,  
Toronto, Ontario.

if to Fuji at:

P.O. Box 146,  
Suite 2301,  
Royal Bank Plaza,  
Toronto, Ontario. M5J 2J3

Any notice, direction or other instrument required or permitted to be given to the Purchaser hereunder shall be in writing and may be given by mailing the same postage prepaid or delivering the same addressed to the Purchaser at Suite 3200, First Canadian Place, King & Bay Streets, Toronto, Ontario.





Any notice, direction or other instrument aforesaid if delivered shall be deemed to have been given or made on the date on which it was delivered or if mailed shall be deemed to have been given or made on the fifth business day following the date on which it was mailed, provided however that if a general strike or lock out of postal employees is in effect or known to be impending, any notice, direction or other instrument as aforesaid shall be given or made by personal delivery only in Toronto, Ontario.

The Purchaser or any Vendor may change its address for service from time to time by notice given in accordance with the foregoing, provided that such address for service by delivery shall remain within Toronto, Ontario.

14. Time of the Essence.

14.1 Time shall be of the essence of this agreement.

15. Execution in Counterparts.

15.1 This agreement may be executed in one or more counterparts, each of which so executed shall constitute an original and all of which together shall constitute one and the same agreement.

16. Entire Agreement.

16.1 This agreement, including Schedules "A" and "B" hereto, constitutes the entire agreement among the parties hereto. There are not any verbal statements, representations, warranties, undertakings or agreements among the parties hereto with respect to the subject matter hereof, other than this agreement. This agreement may not be amended or modified in any respect except by written instrument signed by the parties hereto.

17. Proper Law of Contract.

17.1 This agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the Province of Ontario.

18. Benefit and Binding Nature of the Agreement.

18.1 This agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns but, except as provided in paragraph



2.3, shall not be assignable by any of the parties hereto without the written consent of the other parties hereto.

18. Consolidation, Subdivision, etc.

18.1 References herein to numbers or prices relating to Common Shares shall be proportionately adjusted in the event of the consolidation, subdivision, reclassification, issue of stock dividends (other than stock dividends issued in lieu of cash dividends at the option of the shareholder) or similar change in the number of Common Shares whether by way of capital reorganization, amalgamation or otherwise.

IN WITNESS WHEREOF this agreement has been executed by the parties hereto.

TINTO HOLDINGS CANADA LIMITED

by *20 Bergy, President*  
*[Signature]* C.S.

INTEROCEAN SHIPPING COMPANY

by \_\_\_\_\_  
\_\_\_\_\_ C.S.

MARUBENI CORPORATION

by \_\_\_\_\_  
\_\_\_\_\_ C.S.

THE FUJI BANK, LIMITED

by \_\_\_\_\_  
\_\_\_\_\_ C.S.

OLYMPIA & YORK DEVELOPMENTS  
LIMITED

by *[Signature]*  
\_\_\_\_\_ C.S.





SCHEDULE "A"

LETTERHEAD OF PRIME CANADIAN CHARTERED BANK  
IRREVOCABLE LETTER OF CREDIT

Tinto Holdings Canada Limited,  
Suite 3209,  
Toronto-Dominion Bank Tower,  
Toronto-Dominion Centre,  
Toronto, Ontario.

Dear Sirs:

We understand that Tinto Holdings Canada Limited (the "Vendor") has sold 4,267,029 common shares (the "Shares") of Brinco Limited to Olympia & York Investments Limited ("O & Y Investments") pursuant to an agreement of purchase and sale (the "Sale Agreement") dated as of August 20, 1980 made between Olympia & York Developments Limited, Tinto Holdings Canada Limited, Interocean Shipping Company, Marubeni Corporation and The Fuji Bank, Limited. We understand that the balance of the purchase price (the "Balance Owing") for the Shares is to be determined in accordance with a formula but cannot exceed in any event \$34,718,310 in the aggregate.

We hereby establish in your favour this irrevocable standby credit up to a maximum amount of \$34,718,310, which is available by your drafts at sight on the \_\_\_\_\_ Bank, (insert address of branch) accompanied by:

- (a) a statutory declaration of the Vice-President and General Manager of the Vendor setting forth the particulars of the Vendor's calculation of the Balance Owing, including the Vendor's calculation of the Deferred Payment Date and the Trading Price (both as defined in the Sale Agreement); and
- (b) this letter of credit returned for cancellation.

This letter of credit shall expire on \_\_\_\_\_, 1980 (date to be inserted is 15th business day following the fifth anniversary of the Closing Date).

We hereby agree with the Vendor that any draft drawn in accordance with the terms stipulated herein will be duly honoured by us at sight upon presentation and delivery of the documents specified herein, without inquiry as to the validity of the amounts and calculations therein stated and entirely without regard to the rights of any party to the



Sale Agreement arising under the Sale Agreement or otherwise, if presented to us at the address set forth above on or before the date of expiry and that any payment hereunder shall be made to the Vendor at your address indicated above.

This letter of credit shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable thereto.

Yours very truly,

Bank

by: \_\_\_\_\_  
Title





**SCHEDULE "B"**

**LETTERHEAD OF PRIME CANADIAN CHARTERED BANK  
IRREVOCABLE LETTER OF CREDIT**

Marubeni Corporation  
Suite 2700,  
Simpson Tower,  
401 Bay Street,  
Toronto, Ontario.

Dear Sirs:

We understand that Marubeni Corporation (the "Vendor") has sold 440,205 common shares (the "Shares") of Brinco Limited to Olympia & York Investments Limited ("O & Y Investments") pursuant to an agreement of purchase and sale (the "Sale Agreement") dated as of August 20, 1980 made between Olympia & York Developments Limited, Tinto Holdings Canada Limited, Interocean Shipping Company, Marubeni Corporation and The Fuji Bank, Limited. We understand that the balance of the purchase price (the "Balance Owning") for the Shares is to be determined in accordance with a formula but cannot exceed in any event \$3,581,690 in the aggregate.

We hereby establish in your favour this irrevocable standby credit up to a maximum amount of \$3,581,690, which is available by your drafts at sight on the \_\_\_\_\_ Bank, (insert address of branch) accompanied by:

- (a) a statutory declaration of the \_\_\_\_\_ of the Vendor setting forth the particulars of the Vendor's calculation of the Balance Owning, including the Vendor's calculation of the Deferred Payment Date and the Trading Price (both as defined in the Sale Agreement); and
- (b) this letter of credit returned for cancellation.

This letter of credit shall expire on \_\_\_\_\_, 1988 (date to be inserted is 15th business day following the fifth anniversary of the Closing Date).

We hereby agree with the Vendor that any draft drawn in accordance with the terms stipulated herein will be duly honoured by us at sight upon presentation and delivery of the documents specified herein, without inquiry as to the validity of the amounts and calculations therein stated and entirely without regard to the rights of any party to the





Sale Agreement arising under the Sale Agreement or otherwise, if presented to us at the address set forth above on or before the date of expiry and that any payment hereunder shall be made to the Vendor at your address indicated above.

This letter of credit shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable thereto.

Yours very truly,

Bank

by: \_\_\_\_\_  
Title

